



Ottawa, June 30, 2004

The Honourable
Tony Valeri, P.C., M.P.
Minister of Transport
29th floor
380 Sparks Street
Tower C, Place de Ville
Ottawa, Ontario
K1A 0N5

Dear Minister,

In accordance with the provisions of Section 150 of the *Financial Administration Act*, I am pleased to submit the Annual Report of The Federal Bridge Corporation Limited for the fiscal year ending March 31, 2004.

This Report also contains the financial statements of the Corporation, which have been audited by the Auditor General of Canada. In the interests of economy, this Report also incorporates the Annual Reports of our subsidiary organizations, The Seaway International Bridge Corporation, Ltd., The Jacques Cartier and Champlain Bridges Incorporated, and the St. Mary's River Bridge Company.

Yours truly,

Michel Fournier
President and Chief Executive Officer

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ESSAGE FROM THE PRESIDENT

The Federal Bridge Corporation Limited (FBCL) and its subsidiary companies are together responsible for the management and maintenance of three international bridge crossings in Ontario and five domestic infrastructures in the Greater Montréal area. Our 2003-2004 activities involved major and ongoing maintenance activities, management improvement initiatives, and forward planning. Over 141.7¹⁰ million vehicle transits are recorded annually in the Montréal region, at the Seaway International Bridge at Sault Ste-Marie and at the Thousand Islands Bridge.

Our bridges play an essential role in the movement of people and goods between Canada and the U.S. The role and contribution of our infrastructure to the North American economy and on commercial and commuter transportation is significant.

Over the last year, traffic volumes decreased slightly at the international crossings at Sault Ste-Marie and the Thousand Islands Bridge. At the Seaway International Bridge, traffic volume increased while in the Montréal area, volumes continue to increase. The Champlain Bridge alone has experienced a doubling of truck traffic between 1993 and 2002 — an increase of about 11% per year¹¹.



Security considerations continue to guide many of the activities of the Corporation and its subsidiaries. During the fiscal year 2003-2004, the Corporation's Risk Management Committee as well as the Risk Management Committee of The Jacques Cartier and Champlain Bridges Incorporated and The Seaway International Bridge Corporation Ltd. undertook a comprehensive risk assessment evaluation of their operations. The purposes of these evaluations were to examine the known risks, identify new risks, the probability of occurrence, the individual consequences, the measures to control each risk, the state of preparation and the vulnerability of the Corporation. By continuing the established Risk Management practices and building on them for the future, the Corporation and its subsidiaries are continuing to focus on risks that affect the users of our infrastructures while ensuring security, safety and reliability.

National security imperatives continue to affect traffic processing due to increased inspections, especially during peak-periods, at international border crossings. Because of concerns of both Canadian and U.S. governments over the impact of this situation on trade, tourism, and other commercial activities, special initiatives have been announced to smooth the flow of traffic, including the application of advanced technology for detection and clearance.

The Canada Border Services Agency (CBSA) has primary responsibility for border initiatives, many of which may affect FBCL infrastructures, traffic flow and staffing requirements.

The two-year deck replacement project of the Jacques Cartier Bridge, which was completed in 2002, received one international and several other industry awards. Last summer, the *Chicago based Precast/Prestressed Concrete Institute* awarded the International PCI Design Award in the Best Rehabilitated Bridge category to this project, in recognition of the innovative and effective construction methods used to complete the project.

In its recent *National Cooperative Highway Research Program* report, the *Transportation Research Board of the National Academies*, an organization which evaluates and determines international best practices for "Prefabricated Bridge Elements and Systems to Limit Traffic Disruption During Construction", highlighted the Jacques Cartier Bridge Deck Replacement Project in the United States as an example for other similar projects.

¹⁰ See table and sources on page 5.



Michel Fournier

The Jacques Cartier Bridge, which has become an icon of the City of Montréal will mark its 75th anniversary in 2005. Several initiatives are being considered to mark the anniversary, including the installation of architectural lighting on the structure.

The closed-circuit television system used is monitored by representatives from the Québec Ministry of Transportation (MTQ) and the Sûreté du Québec (SQ), to assist in traffic management and security respectively. Increased video camera surveillance and police bicycle patrols have helped increase overall security on the Jacques Cartier and Champlain bridges.

Following several months of research, discussions and studies, the feasibility study to install anti-jump barriers on the Jacques Cartier Bridge was completed in October 2003. The study did not provide an option that met all three reference criteria (efficiency, visual aesthetics and reasonable cost) originally established by the Corporation. Over the last two years, six additional cameras have been installed, the Camera Surveillance Control Centre was modified and maximized to improve monitoring operations by SQ officers. Cycling patrols (SQ and privately operated) were put in place last summer and will be active again this year. New barrier options involving the raising of the existing pedestrian safety barriers were tested to dissuade suicides. Our vision is to implement a solution which will maximize safety with minimum inconvenience for all bridge users.

With this decision, the Corporation gives the benefit of the doubt to the committee and specialized psychologists who state that a more secure barrier will not only save lives, but will also prevent migrations to other bridges or use of other methods.

FBCL continued its involvement and contribution towards feasibility studies examining a light-rail transit solution on the Estacade of the Champlain Bridge in Montréal, and participated in discussions concerning the completion of Autoroute 30. Both projects will have an important impact on the use of FBCL infrastructures. FBCL has the specialized expertise to assist all partners involved in these projects.



Modeling for a project under study to install architectural lighting to mark the 75th Anniversary of the Jacques Cartier Bridge.

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ESSAGE FROM THE PRESIDENT

Number of employees

2003-2004

	FBCL	JCCBI	SIBC	TIBA	SMRBC
Full-time	13	44	18	32	32
Seasonal⁽¹⁾	n/a	0	20	25	18
FTE (contracts)⁽²⁾	1	245	12	2 ⁽⁴⁾	—
FTE (special projects)⁽³⁾	n/a	2,018 ⁽³⁾	n/a	4.5	n/a

¹ Includes part-time and students

² Full-time equivalents for contracts to private sector

³ Major rehabilitation work on Jacques Cartier Bridge 2001-2002 (source: *Retombées économiques des travaux de remplacement du tablier du pont Jacques Cartier*, Groupe DBSE, February 2001)

⁴ Part-time

The *Financial Administration Act* (FAA) requires FBCL to undergo a special examination every five years. The report following such examination at FBCL was released in April 2003. In the report, the Assistant Auditor General stated that with respect to the criteria established for the examination: "there is reasonable assurance that there are no significant deficiencies in the systems and practices examined." The Corporation and its subsidiaries have also adopted a series of performance indicators to improve management and operations.

In April 2004, as President of the Corporation, I attended many special consultation meetings with Heads from all federal institutions to re-examine federal governance as it is being implemented today, to develop recommendations for improving governance and management practices of federal Institutions. A similar initiative is underway, involving our Vice-President of Communications and representatives of all federal Crown Corporations to discuss practices in the disclosure of information and other issues of mutual interest.

Over the year 2003-2004, the leadership and stewardship shown by our Board of Directors and its various committees largely focused on consolidation and renewal, bridging past initiatives and future directions. Corporate Governance Practices have been a key preoccupation of the Corporation.

A Corporate Governance Committee was established and is responsible for making recommendations to the Board on matters relating to our corporate governance regime, including the development and implementation of methods to ensure an efficient Board.

Scenarios for financial self-sufficiency are being examined for the Seaway International Bridge and the Sault Ste Marie International Bridge as part of FBCL's financial management activities. The implementation of currency exchange equity for tolls has been carried out at our three international bridges: the Sault Ste Marie International Bridge, the Thousand Islands Bridge and the Seaway International Bridge.

The FBCL in cooperation with Transport Canada initiated a review of the intergovernmental agreement negotiated with the Michigan Department of Transportation (MDOT). Proposals for refinement of the agreement have been identified and discussed with MDOT.



Left: Painting the superstructure of the Jacques Cartier Bridge Right: Maintenance work at the Sault Ste. Marie International Bridge

In all its activities and those of its subsidiaries, FBCL's objectives have been to seek "best practices" in managing all aspects of environmental protection and risk. The Corporations have prepared an environmental inventory of all properties.

Painting of structures is done in enclosed spaces, the air is filtered before being re-emitted into the atmosphere, and lead-free products are used. Work methods involve recovering, recycle and disposal of all waste, abrasive debris, and dry material such as concrete, cement, and old paving. The Corporation tracks and monitors the quantity of waste that is produced by sandblasting and paint scaling operations and sent to disposal sites or waste areas.

The FBCL faces two major reconstruction projects in the next few years. A very important project will be coordinated with the Seaway International Bridge Corporation Ltd. in Cornwall, Ontario, where the North Channel span of this international bridge will require a major replacement, with implementation planned within the next three to five years.

An environmental assessment is underway and will contribute to the decision to either replace the deck of the existing span or replace the North Channel section of the bridge by a new low level span, on the basis of upcoming discussions with the appropriate departments and agencies.

In Montréal, The Jacques Cartier and Champlain Bridges Incorporated is planning a deck replacement for the federal portion of the Honoré Mercier Bridge in 2006 and 2007. The federal portion of the Honoré Mercier Bridge consists of four lanes over approximately 1.4 kilometres.

Underlying every initiative of the FBCL, its subsidiary companies and each of its employees is a continuing commitment to apply the full extent of its expertise toward the service of its clients.

Michel Fournier
President and Chief Executive Officer

Structures Vehicle Transits 2003-2004

Champlain Bridge	47,429,000 ⁽¹⁾
Bonaventure Autoroute	15,810,000 ⁽²⁾
Jacques Cartier Bridge	39,524,000 ⁽¹⁾
Melochevile Tunnel	4,343,000 ⁽¹⁾
Honoré Mercier Bridge	28,062,000 ⁽¹⁾
Seaway International Bridge	2,549,000 ⁽³⁾
Thousand Islands International Bridge	2,081,000 ⁽⁴⁾
Sault Ste. Marie International Bridge	1,898,000 ⁽⁵⁾
TOTAL	141,696,000

¹ Étude des ponts de la Rive Sud – Solutions globales. Transport de personnes et de marchandises, by Roche-Deluc (August 2000)

² Estimate based on Champlain Bridge traffic

³ Traffic counts, Seaway International Bridge Corporation, Ltd

⁴ Traffic counts, Thousand Islands Bridge Authority

⁵ Final Audit Report for the International Bridge, Joint International Bridge Authority



Scaled model of the planned low-level bridge project to replace the existing high level structure at the Seaway International Bridge.

PROFILE AND HISTORY



Toll booth at the Seaway International Bridge in Cornwall.

The Federal Bridge Corporation Limited (FBCL) is a Crown corporation, which was established in 1998 under the *Canada Business Corporations Act* to operate the bridge and highway assets formerly under the control of The St. Lawrence Seaway Authority. Its articles of incorporation provide that it can assume responsibility for other bridges and structures if the Governor in Council so orders, and since 1998, other assets have been added to its responsibilities.

The FBCL controls two categories of assets: those that are financially self-sufficient through the collection of tolls, and those that depend on government funding for their operations. Self-sufficient assets include the Thousand Islands International Bridge; the Seaway International Bridge in Cornwall, and the Sault Ste. Marie International Bridge. All FBCL assets are operated by its subsidiary companies or through partnership agreements. Our international crossings are the Thousand Islands International Bridge, the Seaway International Bridge located in Cornwall, and the Sault Ste. Marie International Bridge.

Assets requiring government funding include the Jacques Cartier and Champlain bridges, the Champlain Bridge Ice Control Structure, the Bonaventure Autoroute and a portion of Autoroute 15, half of the Honoré Mercier Bridge and the Melocheville tunnel.

The Thousand Islands Bridge Authority (TIBA) and the St. Mary's River Bridge Company (SMRBC) finance their activities through their operating revenues.



The Seaway International Bridge plays a key role in commercial trade between Canada and the United States.



The Federal Bridge Corporation Limited (FBCL) was incorporated in 1998 to assume the non-navigational management responsibilities of The St. Lawrence Seaway Authority. These include properties of The Jacques Cartier and Champlain Bridges Incorporated and in a joint venture with its U.S. partner, the Seaway International Bridge Corporation, Ltd. At the same time, the FBCL assumed responsibility for the management of the Canadian portion of the Thousand Islands International Bridge. In 2000, the FBCL acquired the Canadian half of the Sault Ste. Marie International Bridge and was represented on the Joint International Bridge Authority mandated to manage and operate this bridge.

The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) is financed mainly through appropriations, as well as through revenues from other sources such as leases and licenses.

The Corporation's main activities fall into two specific sectors, namely Engineering and Construction, and Operations and Maintenance. These sectors are supported by administrative departments, such as Legal Affairs, Procurement, Finance and Human Resources.

The Engineering and Construction department manages the activities related to major construction, renovation and repair projects that specifically target the components of civil and road engineering structures, such as piers, beams, decks, steel structures, foundations, pavement and painting as well as systems controlling lighting, lane signals, cameras and traffic counts.

The Operations and Maintenance department is on the front line regarding activities that directly affect users. This department specifically oversees and manages contracts for snow removal, the spreading of abrasives, road cleaning and maintenance, landscaping, replacement of guardrails, sealing cracks and lubricating bearings, maintenance and operation of systems controlling lane signals, surveillance cameras, electrical distribution and road lighting.

The Sûreté du Québec polices the Jacques Cartier and Champlain Bridges, the Bonaventure Autoroute and the Champlain Bridge Ice Control Structure (Estacade) under the terms of a contractual agreement.

Since 1982, a reserved bus lane has been operational at rush hours on the Champlain Bridge. A provincial government agency responsible for public transit operates the reserved lane.

The Seaway International Bridge Corporation Ltd. (SIBC) is mandated to be financially self-sufficient through the collection of tolls. Any operating surpluses are returned to the Owners, the Federal Bridge Corporation limited and its US partner, the Saint Lawrence Seaway Development Corporation.

The SIBC operates and maintains an international toll bridge on the Highway 138 corridor between Cornwall and New York Highway 37. The crossing comprises two high level bridges that cross the north and south branches of the St. Lawrence River, and an inter-connecting road on Cornwall Island. The island forms part of the Akwesasne Reserve which is located on this Island. SIBC is the seventh busiest toll bridge crossing between Canada and the USA. Compared to other crossings, the traffic is primarily local and regional. There are more transits on the Seaway International Bridge than on the international toll crossings at Ogdensburg, the Thousand Islands and Sault Ste. Marie.

Our vision

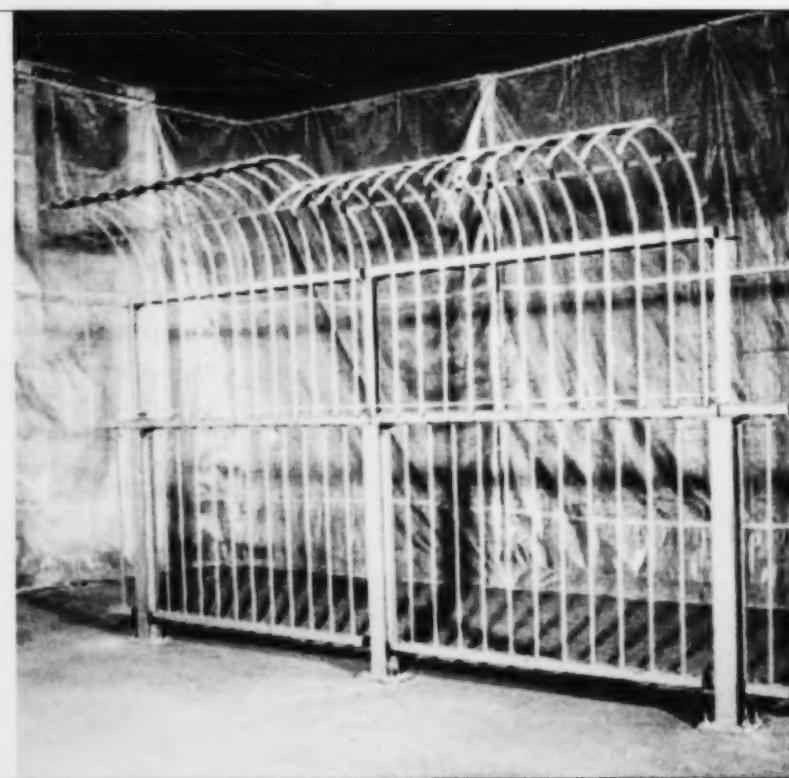
The Federal Bridge Corporation Limited (FBCL) intends to become recognized as an essential and value added partner in the management, construction and operation of bridges and highway infrastructures in Canada.

The quality of the work accomplished since 1998 has enabled the FBCL to earn the recognition of the Ministère des Transports du Québec (MTQ). In fact, as part of the Autoroute 30 Project in the Province of Quebec, and at the request of the Minister of Transport of Canada, the FBCL is on a joint steering committee with representatives of the federal and provincial governments for its expertise in design projects and bridges.

The FBCL will continue its efficient and quality work so as to reinforce the perception that the Corporation is an essential partner among infrastructure owners in Canada.

Our mission

As an integral component of Canada's economic activity, it is the Federal Bridge Corporation Limited and its subsidiaries' mission to manage, operate and maintain the bridges and highway infrastructure under their jurisdiction so as to provide users with safe, reliable and efficient transit. To meet this goal, the Corporation and its subsidiaries enforce sound management practices and environmentally friendly policies, and ensure a deserved recognition of Government of Canada activities.



Example of prototypes prepared to raise the existing railing of the Jacques Cartier Bridge to prevent suicide attempts.

OUR ORGANIZATION

Our values

In order to fulfill the FBCL mission, Corporation management and personnel base their decisions and actions on seven principal values:

- ❖ Sound management practices;
- ❖ Good planning;
- ❖ Strategic alliances and communications;
- ❖ Customer satisfaction through efficiencies;
- ❖ Safety and security for customers and facilities;
- ❖ Preserving the environment;
- ❖ Respect and value the contributions of all.

The most recent illustration of tangible results from the implementation of these values is the outstanding success of the \$127 million deck replacement project undertaken by our subsidiary, The Jacques Cartier and Champlain Bridges Incorporated (JCCBI) on the Jacques Cartier Bridge, completed in November 2002.

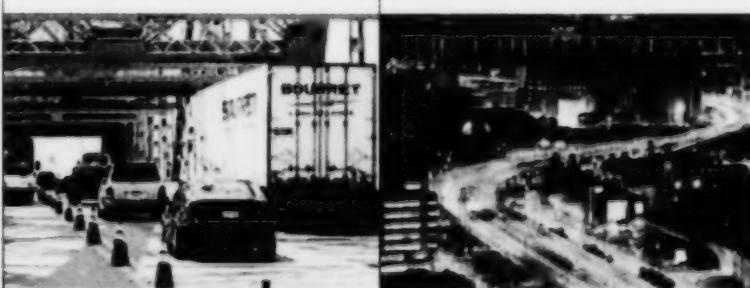
In addition to the many awards received in Canada in recognition of this innovative construction initiative, the project was also awarded the 2003 PCI Design Award from the Chicago based Precast/Prestressed Concrete Institute, in the Best Rehabilitated Bridge category. The project was competing with major prefabricated structures in the United States, Mexico and Canada.

This type of accomplishment was made possible through the expertise and commitment of our human resources. Today, their expertise in the fields of maintenance, construction management and infrastructure security is indisputable.

One of FBCL's main challenges is keeping its professionals at the leading edge in terms of expertise and continuing its work to harmonize its human resources policies and programs across the organization. The Corporation's approach to its human resources activities focuses on improved productivity and harmonious relations as a way to promote the development of skills and improve the quality of services offered to its clients.



The Estacade (left) is 2,043 metres long and runs parallel to the Champlain Bridge at 305 metres upstream.

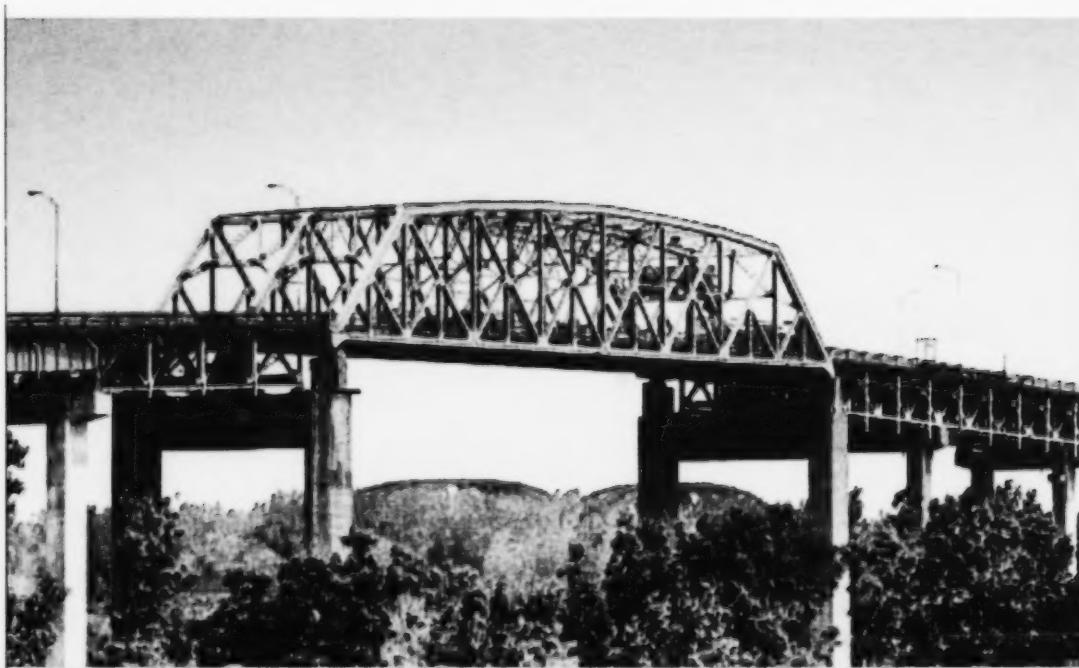


*Left: traffic on the Champlain Bridge.
Right: Bonaventure Autoroute.*



Champlain Bridge over the St. Lawrence Seaway.

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ANAGEMENT DISCUSSION AND ANALYSIS

Honoré Mercier Bridge over the St. Lawrence Seaway

Our clients

Bridges, roads and tunnels are an integral component of people's daily lives: commuters, tourists, travellers and pedestrians alike use them on a regular basis. Yet, there is little awareness as to the crucial role they play in our international trade, economy, and emergency systems, as well as the security of the nation.

The importance of ensuring that the structures managed by the FBCL operate efficiently and safely can be illustrated by traffic data. In all, FBCL structures carry annual vehicle transits estimated at more than 141.7 millions, plus about 8 million urban public transits. Underlying every initiative of the FBCL, its subsidiary companies and each of its employees is a continuing commitment to apply the full extent of its expertise in the service of these clients.

Our partners

As an essential player in bridge management, the FBCL will continue to consolidate existing partnerships and be alert to new opportunities for cooperation. The principal methods used by the FBCL to maintain harmonious relations with its partners and remain open to new opportunities are as follows:

- The FBCL is working with Transport Canada, the Canada Revenue Agency, state and federal U.S. government agencies, as well as the bridge authorities in evaluating proposals to apply new technology and operational initiatives to smooth the traffic flow at international crossings.
- Committee composed of representatives of our subsidiary the Seaway International Bridge Corporation Ltd., Transport Canada, the Department of Indian and Northern Affairs Canada and the Akwesasne Mohawk Council to address Mohawk Community issues related to the Seaway International Bridge.
- A Joint Steering Committee with representatives from the Canadian and Québec governments to investigate the feasibility for a light rail transit system on the Champlain Bridge Ice Control Structure in the Montréal region;
- A Committee with representatives from the Canadian and Québec governments to complete Autoroute 30 in the form of a public/private partnership;
- Management Committee (which is a sub-committee of the Board of directors, composed of representatives from the SIBC and the Saint Lawrence Seaway Development Corporation) whose role is to support the Seaway International Bridge Corporation, Ltd. in fulfilling its mandate;
- Involving partners in organizing special events to mark the 75th anniversary of the Jacques Cartier Bridge during the summer of 2005;
- Collaboration with the Société du Havre de Montréal, whose mandate is to submit a strategic development plan for the Montréal harbour area properties, including improving public access to the St. Lawrence River;
- As recommended in the special examination report of the Auditor General of Canada, FBCL established a special committee to provide additional managerial oversight of the TIBA activities over the Canadian portion of the Thousand Islands Bridge. Participants in the Committee are the Three Canadian directors of TIBA as well as representatives from FBCL;
- Collaboration with the Ministère des Transports du Québec and the Mohawk Council of Kahnawake to ensure efficient coordination of work and to take into consideration economic, social and environmental factors in the planning of the Honoré Mercier Bridge deck replacement project;
- Short and long term requirements of the Thousand Islands Bridge and the Seaway International Bridge are being addressed through a binational study involving the New York State Department of Transportation, Transport Canada, the Ontario Ministry of Transportation, FBCL, TIBA and SIBC. This study is considering the full range of options for improving bridge capacity and streamlining the flow of vehicles through such means as infrastructure investments, operational improvements, processing / inspection techniques and/or technology applications.
- Through the joint efforts of the Ontario Ministry of Transportation, FBCL, the Thousand Islands Bridge Authority and Transport Canada, an additional traffic lane from Highway 401 to the border at the Thousand Islands Bridge to separate truck traffic from automobile traffic is almost complete.



Piers under the Honoré Mercier Bridge



Sûreté du Québec patrols at St. Helen's Island on the Jacques Cartier Bridge.

Economic considerations

Canada's economy has always depended on both east-west and north-south transportation for its development and growth. Population growth, increasing numbers of travellers, increased trade and the evolution of the trucking industry are some of the factors that have contributed to increased demand for improved surface transportation services that are at the core of FBCL activities.

Based on figures published by Roche-Deluc, Consulting Group in 2000, the number of trucks crossing the Champlain Bridge doubled between 1993 and 2002, increasing by 11% every year. In 2002, 4.5 million trucks used the bridge, compared to less than 2 million in 1992.

This increase in the number of trucks has a direct impact on the structure of the bridge. For this reason, the FBCL has focused on the urgency of building a bypass highway around Montréal (Autoroute 30). A recent study commissioned by the JCCBI has demonstrated that, without the completion of Autoroute 30, the increasing number of trucks using the Champlain Bridge will reduce the operating life of the bridge significantly.

In the Greater Montréal region, population density is very high, and for the past several years, a sustained increase in traffic on the Corporation's infrastructures has been noted. Among other things, this is due to the phenomenon of urban sprawl, the increased number of cars on Montréal's South Shore and more goods moved by truck.

Moreover, the Seaway International Bridge and the Thousand Islands International Bridge rank seventh and eighth, respectively, among the busiest international toll bridges between Canada and the United States.

External factors that have an impact on operations

One of the major determinants of traffic volumes at the Canada/US border is the dollar value of trade between these two countries. Exports from Canada to the US increased from \$270 billion in 1998 to \$345 billion in 2002 which represents 87% of the total exports from Canada to all countries (source: Statistics Canada). However it should be noted that the distribution of the exports has changed significantly. Over the past five years, exports from Ontario to New York State has declined by 34% while exports to California increased by 41%. The economic slowdown in New York State coupled with the redistribution of Ontario/US trade has impacted on truck traffic at FBCL's international bridges.

Moreover, the delays at international bridges caused by more intense screening by customs and immigration officials has affected discretionary travel for tourism, shopping and other activities. Over the past year, traffic at Sault Ste. Marie International Bridge has declined by over 10% and at the Thousand Islands Bridge by 5%. Only at the Seaway International Bridge was there an increase of 2% in traffic, however, this increase was the result of a growth in travel by native groups that receive free transits.

Opportunities examined

In cooperation with the National Capital Commission (NCC) and Public Works and Government Services Canada (PWGSC), the FBCL commissioned due diligence studies on engineering and management intended to identify the capital assets and operating needs of the five bridges in the National Capital Region that cross the Ottawa River. The studies focused on scenarios concerning the ownership of the five bridges which would rest with the NCC while a single government entity, namely the FBCL, would manage the integrated operations of the five bridges.

In addition, concerned with optimizing traffic flow in the Montréal metropolitan region, the FBCL has initiated several traffic and feasibility studies* with respect to the completion of Autoroute 30, the bypass road around Montréal. With this data*, the FBCL has been able to demonstrate that action is required urgently as a result of the congestion on the bridges, otherwise serious traffic problems will be experienced on a short-term basis.

To summarize, the completion of Autoroute 30 and its connections to the existing highways will be carried out in two segments. The first divided segment of nearly 8 km, with four divided lanes, will be constructed between Candiac and Sainte-Catherine. A second 35-km segment, with four divided lanes, will be built between Châteauguay and Vaudreuil-Dorion. This latter segment will include two major bridges spanning the St. Lawrence River and St. Lawrence Seaway. A partnership between the public and private sectors is planned for these segments.

The Governments of Canada and Québec publicly announced federal and provincial commitments to completing the construction of Autoroute 30 between Candiac and Vaudreuil-Dorion by 2009.

- *Etude des ponts de la Rive Sud - Solutions globales transport de personnes et de marchandises, by Roche-Deluc (August 2000)*



Access to Jacques Cartier Bridge from the South Shore

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ANAGEMENT DISCUSSION AND ANALYSIS

Customer service and relations with stakeholders

The FBCL realizes that fluid traffic on its structures has a considerable positive impact on the regional, provincial and Canadian economies, as well as the safety of users and the environment. As a result, our senior management is constantly looking for new solutions to relieve congestion on the bridges.

Light Rail Transit System

The FBCL is a participant on the joint Canada-Québec Steering Committee, which is studying the feasibility of building a light rail transit system in the Montréal region.

In 2001, the federal government, through Economic Development Canada (EDC) and the FBCL, along with the Ministère des Transports du Québec agreed to contribute \$14 million in financing, toward an opportunity and feasibility study. The Corporation's contribution is \$1 million. The Metropolitan Transportation Authority (MTA) is the agent that administers the studies and reports to the joint Federal-Québec Steering Committee.

The LRT system would connect the Autoroute 10 corridor to downtown Montréal. This collaboration focuses on the need to find a long-term solution for public transportation by employing the existing Champlain Bridge Ice Control Structure (Estacade).

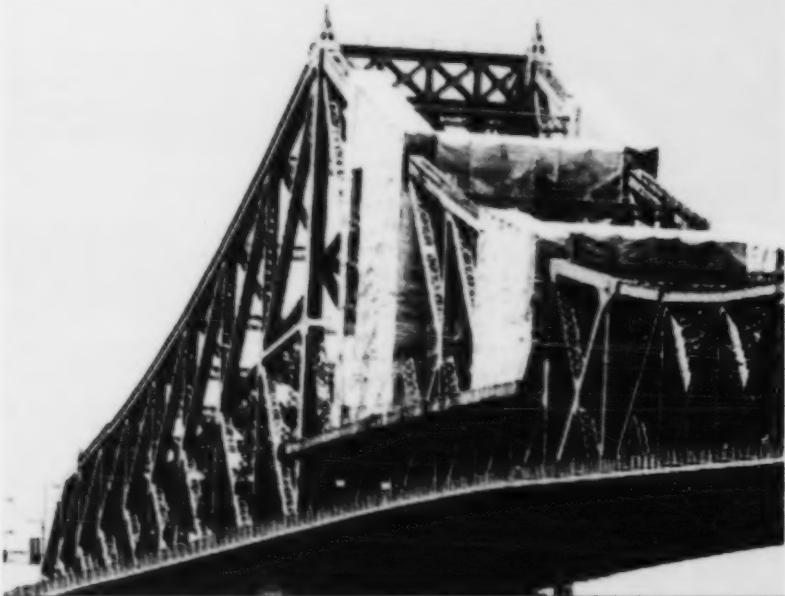
Should the project proceed, it would contribute to reducing traffic congestion on the South shore bridges and would be a positive contribution to the environment and to the economy of the region of Montréal. Light Rail Transit would maintain the capacity of public transit in the Champlain Bridge corridor while removing an estimated 1,500 vehicles per rush hour period from bridges on the South Shore.

The rail layout, the system's technology and anticipated traffic demand have been determined. The technical studies and the environmental studies have been completed. Value engineering and cost benefit studies remain to be completed.

Closed-Circuit Television Surveillance System

In 2003, the FBCL provided financing to the JCCBI for work related to modernize the Closed-Circuit Television Surveillance System (CCTV) and telecommunications networks on the Jacques Cartier and Champlain bridges as well as the Bonaventure Autoroute.

The work included replacing an outdated black and white camera system with a new modern colour camera system including upgrading the surveillance centre. The new system operated by the Sûreté du Québec, will enable the policing authority to provide more accurate and extended surveillance. This investment is part of an Intelligent Transportation system (ITS) aimed at the efficient movement of vehicles.



Painting work on the Jacques Cartier Bridge

Thousand Islands Bridge

The east rift bridge widening project was postponed from 2003 to 2004. The justification for this project is even greater since the Canada Revenue Agency (CRA) has introduced Free and Secure Trade (FAST) pre-clearance program for trucks at the Thousand Islands in December 2003. The widening project will greatly ease traffic flow.

On September 3, 2003, the contract for adding an additional southbound lane on highway 137 was awarded and the Province of Ontario decided to cover 100% of the cost of the improvements. The ITS component has not been developed yet. Originally this was to be a joint federal/provincial project and it had the approval of both levels of government but now the Province has decided to proceed by itself.

Environment

In 2003 JCCBI in collaboration with Environment Canada carried out investigations and testing into the toxicity of the groundwater beneath an old landfill site, situated on the Island of Montreal and adjacent to the Saint Lawrence River. A portion of this property, being under the Corporation's care, management and control, may require important mitigation measures to contain contaminants that could be entering the river.

Test results will be available in 2004 and any mitigation measures will be determined accordingly and in collaboration with environmental regulatory agencies. However, this remains to be determined. Special funding to implement corrective measures would require Treasury Board approval.

FBCL is managing risks over the deterioration of the North Channel span of the Seaway International Bridge in Cornwall, by studying the implication of repairing or replacing it with a low level structure.

FBCL is funding an environmental assessment (EA) for the repair or replacement of the North Channel Bridge. The eventual repair or replacement of this structure will significantly lower maintenance expenditures.

So far, a number of benefits were identified with the option of a low level bridge, including:

- Reduced maintenance cost;
- Reduced travel distance between Cornwall Island and the City of Cornwall;
- Elimination of the curve alignment;
- Improved overall traffic flow;
- Safety for our clients.

FBCL worked closely with the Mohawk Council of Akwesasne to ensure that the EA report is completed by June 2004. This deadline will allow sufficient time to review the report with Transport Canada and obtain the financing to pursue the selected option. If the construction of a new low level bridge option is selected, the Project Schedule indicates the start of construction for July 2007, and the opening of a new bridge to traffic in November 2008.

As a standard practice throughout 2003, SIBC fully enclosed the South Channel bridge cable bent towers for sandblasting work zones, collected dust and sandblast material, monitored lead levels in the air and properly disposed of all materials. In addition the effectiveness of the Corporation's sewage treatment facilities was monitored, sources of groundwater infiltration were identified, and construction specifications for sewer line repairs were prepared.



Access ramp to St. Helen's Island from Jacques Cartier Bridge.

MANAGEMENT DISCUSSION AND ANALYSIS

RISK MANAGEMENT

RISK ASSESSMENT – During the fiscal year 2003-2004, the Corporation's Risk Management Committee as well as the Risk Management Committees of The Jacques Cartier and Champlain Bridges Incorporated and The Seaway International Bridge Corporation Ltd. undertook a comprehensive Risk Assessment evaluation of their operations. The purposes of the risk assessment were to examine the known risks, identify new risks, the probability of occurrence, the individual consequences, the measures to control each risk, the state of preparation and the vulnerability of the Corporation and its subsidiaries. By continuing the established Risk Management practices and building on them for the future, the Corporation is continuing to focus on risks that affect the Corporation, its subsidiaries and the users of our infrastructures while ensuring increasing reliability.

INVITATION OF INSURANCE BROKERS – The Corporation's Risk Management Committee following the regulations set forth by Treasury Board, invited three major general insurance brokers to make an Insurance Conceptual Presentation for the purpose of establishing if the Corporation and its subsidiaries were properly insured, well served and fairly invoiced for their fees. The Committee upon its completion recommended the

appointment of a broker for a five year period wherein compensation would be based on a fee basis rather than a commission significantly reducing overall costs. Annual insurance policies were also renewed with savings of \$67,000 but without any reduction in policy coverage.

TERRORISM STUDY – In addition to the risk assessments by the Corporation and its subsidiaries, a study was performed by a consultant hired by Transport Canada to examine the vulnerability of all structures. The recommendations in the report were examined and action was taken on a priority basis to safeguard the structures.

INFRASTRUCTURE – In addition to regular inspections by maintenance staff, infrastructures undergo yearly inspections by consulting engineering firms specialized in the inspection of civil engineering structures. Detailed reports outlining priority interventions serve as a roadmap for major and regular maintenance.

FINANCIAL REPORTS AND AUDITS – Regular financial statements of each subsidiary and the Corporation are provided to their respective Audit Committees and Boards of Directors. The Corporation and its subsidiaries carry out self imposed yearly internal audits to review certain aspects of the business in addition to the audits performed by the Office of the Auditor General.



Toll booth at the bridge in Cornwall

Partnerships

The FBCL developed working relationships with U.S. and state government agencies, Canadian and Provincial government agencies, First Nations' councils, municipal governments, and community and trade organizations. Border security imperatives bring many of these groups together. Safe and efficient traffic flow is of interest for virtually all of the stakeholders with whom the FBCL conducts business.

Performance management

FBCL and its subsidiaries have adopted performance indicators and measurement systems to improve the management of our activities. These measurements will be used in 2004 at the bridges in the Montréal area and will include the examination of painting, paving, traffic volumes and user satisfaction.

This will allow us to identify actions required to better manage risks associated with our endeavours.

*F*or highlights



Thousand Islands International Bridge

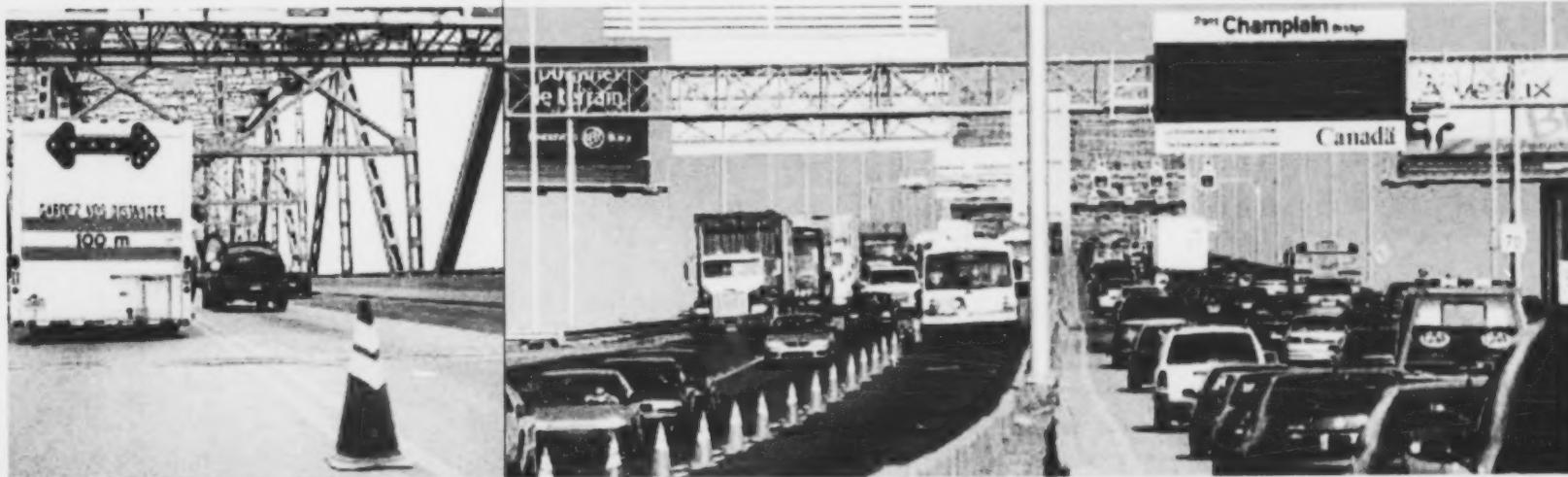
Financial highlights

OVERVIEW OF THE 2003-2004 FISCAL YEAR

thousands of dollars	1999 2000	2000 2001	2001 2002	2002 2003	2003 2004
Revenues	6,759	10,299	12,091	13,219	13,075
Expenses	32,400	38,497	41,857	33,805	46,309
Portion of expenses covered by revenue	20.9%	26.8%	28.9%	39.1%	28.2%
Parliamentary credit for operating expenses	25,168	27,966	26,726	23,345	30,622
Capital asset acquisitions	2,877	6,612	68,347	61,646	3,247
Amortization of capital assets	2,740	3,249	3,658	4,122	5,843

Revenue has decreased for the first time since FBCL was created. Toll crossings were down substantially at the beginning of the year but have shown signs of recovery in the last part of the year.

Setting up the daily reserved lane for public transits at rush hours.



The parliamentary credits for operating expenses are used to finance the operating deficit of the bridges in the Montréal area, which do not collect tolls. The challenge is to optimize the management of all of the bridges managed by the Jacques Cartier and Champlain Bridges Incorporated.

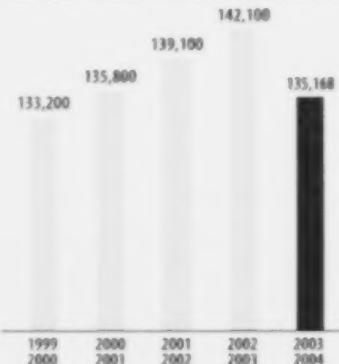
Capital asset acquisitions totalled \$3.2 million during the past fiscal year and \$61.6 million in the previous year. Essentially, they were incurred to re-deck the Jacques Cartier Bridge. This project, which cost \$127 million, was completed within the required time frame.

The Corporation has adopted a business approach in the management and operation of its bridges and continuously seeks new opportunities to increase revenues and reduce costs. This is reflected in its toll policy and in initiatives taken to reduce costs through contracting out service and efficiency measures. As well, the FBCL and subsidiary companies are identifying revenue-generating possibilities at each property following successful projects in Montréal.

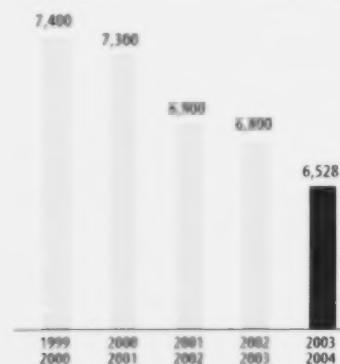
Market-driven commercial signage in Montréal will generate about \$60 million over a 15-year contract; about 95% of these revenues will be reinvested at the Montréal bridges.

Traffic at international bridges is very dependant upon both political and economic factors.

NUMBER OF TRANSITS
INFRASTRUCTURES IN THE MONTRÉAL
AREA⁽¹⁾
(thousands)



NUMBER OF TRANSITS
INTERNATIONAL BRIDGES⁽²⁾
(thousands)



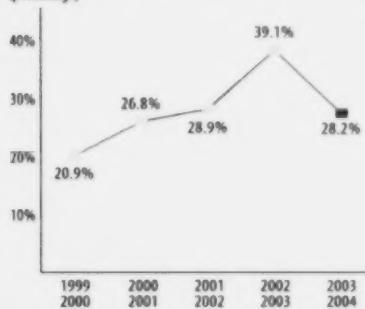
¹ *Étude des ponts de la Rive Sud – Solutions globales : Transport de personnes et de marchandises*, by Roche-Décar (August 2000)

² Sources

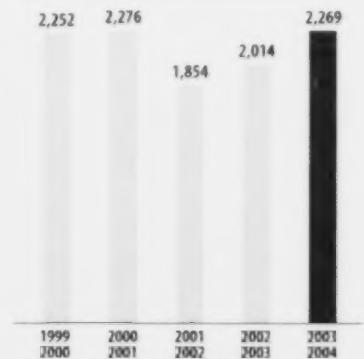
Traffic counts, Thousand Islands Bridge Authority
Traffic counts, Seaway International Bridge Corporation, Ltd
Final Audit Report for the International Bridge,
Joint International Bridge Authority

Financial highlights

PORTION OF EXPENSES COVERED BY REVENUE FOR ALL OF OUR STRUCTURES (percentage)



OPERATING REVENUE FROM THE THOUSAND ISLANDS INTERNATIONAL BRIDGE (thousands of dollars)



Revenue analysis

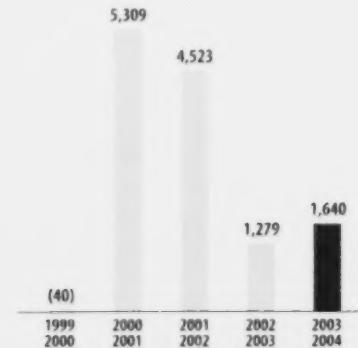
The principal sources of revenue are tolls, income from advertising, revenues from leases and licences and the operating revenues from the Thousand Islands International Bridge.

Traffic crossings have recovered from a slow start at the beginning of the year. The last few months of the year have seen a substantial increase in traffic at all international bridges. Overall tolls revenue was slightly less than the previous year.

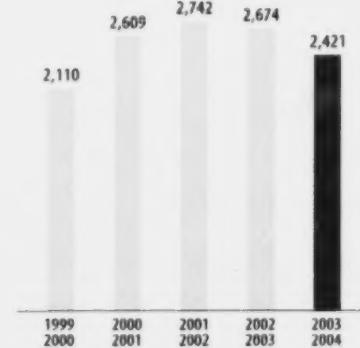
The currency parity at the Thousand Islands Bridge and the rate increase at the Seaway International Bridge of 2002 have contributed to mitigate the effect of the decrease in traffic crossings. The FBCL plans to optimize the revenue earned from its structures.

Since the toll bridge must be self-financing, it is crucial that it earns sufficient revenue to cover expenses, including capital asset expenses. In this respect, the following factors exert a significant amount of pressure on the generation of revenue:

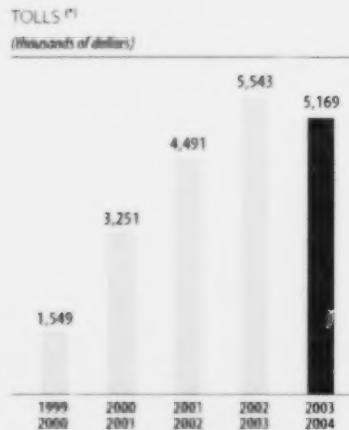
CASH FLOW (thousands of dollars)



LEASES AND LICENSES (thousands of dollars)



- The fact that over 60% of the bridge users of the Seaway International bridge do not pay tolls because a government decision at the time of the construction of the bridge which exempted residents of Akwesasne from the payment of bridge tolls.
- The increase in customs controls following the events of September 11, 2001.
- The fact that 95% of the traffic using the Sault Ste. Marie International Bridge is not commercial traffic, but rather optional individual trips, causing unpredictable variances in revenues.



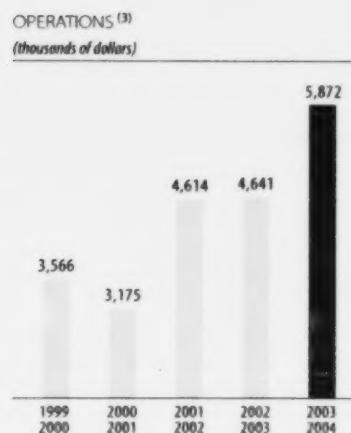
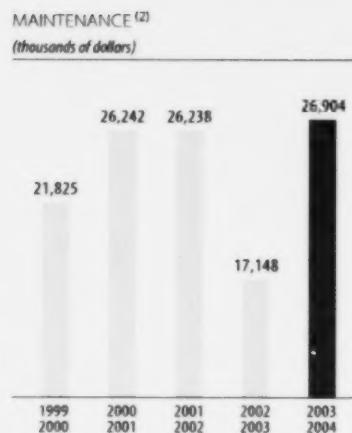
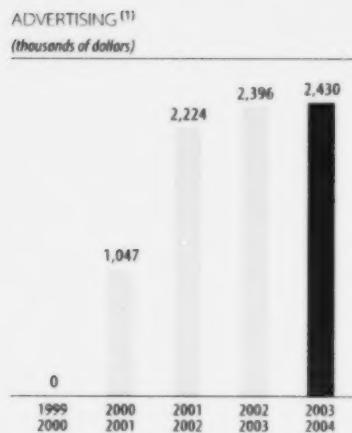
The Sault Ste. Marie International Bridge has experienced declining traffic in the past several years; although commercial traffic is staying fairly stable, it represents only 5% of the total traffic. Scenarios are being developed to identify appropriate toll adjustments and/or capital project deferrals needed to achieve self-sufficiency. Without action, the Canadian and American owners risk a deficit situation within about five years.

	Cash flow (<i>thousands of dollars</i>)				
	1999 2000	2000 2001	2001 2002	2002 2003	2003 2004
Operating activities	2,376	894	2,578	7,332	2,293
Investment activities	(2,683)	(5,100)	(64,189)	(61,628)	(2,921)
Financing activities	267	9,515	66,134	55,575	2,268
Total	(40)	5,309	4,523	1,279	1,640

Cash flow from operations has been positive for the last four years. The parliamentary credits for operating expenses are needed to ensure this.

^(*) Tolls have decreased for the first time since FBCI was created. Toll crossings were down substantially at the beginning of the years but have started to recover in the last part of the year. Nevertheless, more than 60% of users – members of the Mohawk community and those providing services to it – are exempt from tolls.

Financial highlights



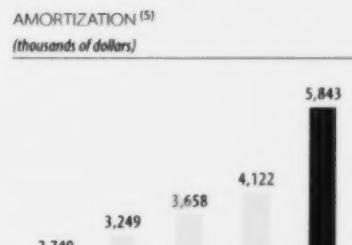
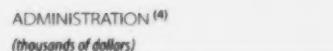
(1) Revenue generated by advertising was slightly higher than that of the previous year. It accounts for 19% of all revenues. The amount of 2.4 million for the year represents 19% of FBCL revenue.

(2) Maintenance costs increased significantly by almost \$10 million in 2003-2004. This increase can be attributed to an increase in expenses incurred for the bridges in the Montreal area, where maintenance costs were \$10.3 million more than the previous year. In 2002-2003 some maintenance costs were capitalized as part of the re-decking of the Jacques Cartier Bridge. The maintenance costs should remain high considering the age of the structures, the fact that they are over-used with respect to forecasts made when they were built and the use of corrosive abrasives in the winter.

(3) Operating costs concern the structures in the Montreal area and the toll collection at international bridges. In Montreal a contract worth \$3 million annually is in place with the Sûreté du Québec for police surveillance of the bridges.

(4) Administration costs have decreased slightly from the previous year. These costs have been stable since the integration of the last subsidiary, which was acquired in October 2000. The FBCL plans to continue to control its overhead.

(5) The increase of \$1.721 million in amortization costs can be attributed to the significant expenditures made for capital assets and specifically to the amortization of the re-decking of the Jacques Cartier Bridge for a full year.



1999 2000 2001 2002 2003 2004



Sault Ste. Marie International Bridge.

OUR CHALLENGES

Our challenges with respect to customer service

FBCL is always looking into means to ensure fluid traffic flow on its structures. The corporation will continue to play a role in the joint Steering Committee with representatives of the Canadian and Québec governments so as to contribute to studies concerning a light rail transit system in the Montréal metropolitan area.

Moreover, the FBCL will serve as a member of a new Committee with representatives of the Canadian and Québec governments for the completion of Autoroute 30. Once completed, Autoroute 30 will:

- ◆ provide a continuous bypass highway route south of Montréal, from its intersection with Autoroute 20 at Sainte-Julie as far as the junction of Autoroutes 20 and 540 at Vaudreuil-Dorion, and improve flow along Autoroutes 10, 15, 20 and 40 in a more efficient road network;

- ◆ decrease the number of trucks (more than 2 million/year) on existing bridges, leading to a decrease in maintenance costs and extended life cycle of existing bridges;

- ◆ facilitate access to markets in Ontario, the central United States, Eastern Quebec and the Maritimes;

- ◆ reduce congestion on the Island of Montréal and the bridges linking it to the South Shore, and on Autoroute 132, and thus help to reduce greenhouse gas emissions;

The FBCL and its subsidiaries will continue to carry out the planned work on the structures. More specifically, this work includes:

- ◆ the structure cleaning and painting program, for the Jacques Cartier, Champlain and Honoré Mercier bridges;

- ◆ planning and preliminary studies for the deck replacement of the Honoré Mercier Bridge (planned for 2006 and 2007);

- ◆ complete rehabilitation of the approaches to the Melocheville Tunnel;

- ◆ widening of the East Rift Bridge in order to improve the flow of truck traffic on the Thousand Islands International Bridge.



Start of the Montreal International Marathon on the Jacques Cartier Bridge.



Security

Throughout 2003-2004, the SIBC coordinated maintenance to the South Channel Bridge. For example, painting the cable bent towers was completed, painting of the suspension cables was initiated and a study for the methodology and cost of repainting the stiffening truss and viaduct spans was carried out.

Maintenance of the North Channel Bridge included the inspection of the concrete deck, the removal of loose materials, the design and installation of steel mesh panels to selected areas of the underside.

Regardless of the results of the environmental assessment, the FBCL should replace or repair the deck of the North Channel Bridge in about three to five years, and the preparation of the design plan for moving the toll booth at the Seaway International Bridge will be pursued in the upcoming year.

2005 will mark the 75th anniversary of the Jacques Cartier Bridge. A special Committee has been formed at JCCBI to study potential scenarios and plan activities to underline the event.

For the FBCL, the safety of the people using its structures is a priority. The FBCL Risk Management Committee has identified the major risks to the operation of its assets. Emergency preparedness plans are reviewed and updated regularly by the subsidiaries.

At SIBC, security assessment recommendations have been reviewed and priorities set for their implementation. SIBC also reviewed its Emergency/Crisis Action Plan (ECAP) and participates in Local Area Emergency Planning meetings and exercises. SIBC also intends to participate in ECAP coordination meetings with other subsidiaries, harmonize the ECAP plan format and liaise with Transport Canada for future studies and funded security programs. Management that oversees FBCL interests in the Sault Ste. Marie Bridge also plans to carry out a similar security study.

Also, FBCL will review its agreement with the Ministère des Transports du Québec to integrate the Corporation's ITS system into the department's Traffic Management Centre and continue to provide real-time messages related to congestion, construction or safety since this initiative has proven effective.

Our challenges with respect to financial resources

The FBCL operates two types of structures: International bridges that generate toll revenues to offset operational and maintenance costs, and bridges in the Montréal region funded largely through parliamentary appropriations.

For example in Cornwall, SIBC obtains over 95% of its revenues from bridge tolls. In this respect it is like any other bridge and tunnel crossing between Canada and the United States. The SIBC operating environment is very different, however, because of its unique geography and its relationship with the Mohawks of Akwesasne.

At the other crossings, tolls are collected from all travellers. SIBC operates in an environment where tolls are not collected from more than 60% of the users - because of a government decision allowing free transits for the Mohawks of Akwesasne, which predate the Corporation. The SIBC is the only bridge in Canada that operates with these constraints.

Like other international crossings, traffic during the spring of 2003 was affected by concern over the war in Iraq. However, revenues slowly recovered during the year, ending on a very strong trend.



Technical survey on the Seaway International Bridge.

OUR CHALLENGES

Bridge Passes at SIBC in Cornwall



Cable painting at the Seaway International Bridge.

The continuous operation of a crossing between Cornwall and Cornwall Island is vital to the Akwesasne Community, the local economy of the city of Cornwall and SIBC.

Since the bridge opened in 1962, SIBC has been providing free transits to the Mohawks of Akwesasne. In 2003, the cost of this program represented more than \$4.5 million in lost toll revenues.

In 2003-2004, the volume of free traffic continued to grow both in real terms and as a percentage of the total. Toll evasions largely by the Mohawk Community (refusal to pay the toll or show a pass) continued to grow and have exceeded 40,000 transits in some months. This situation is exasperated by a total lack of police presence in the federally owned corridor.

In addition, in September 2000, Transport Canada, INAC, FBCL and SIBC established a "Friendship Pass" Program to provide additional free transits to the Mohawk Community. This program was to address Mohawk concerns over the economic and social impacts of having a toll facility as a gateway to their community and to forestall protests and demonstrations that would have disrupted international traffic.

The program was scheduled to last for three years until the completion of a bi-national crossing study and recommendations for longer-term solutions to the tolling issue. The bi-national study will be completed during 2004, therefore necessitating an extension of the Friendship Program so that the study findings can be used.

The Corporation intends to develop scenarios whereby self-sufficiency at all its toll bridges would be achieved over a period of twenty-five years. Based on preliminary work, Sault Ste Marie will offer the greatest challenge, followed closely by the Seaway International Bridge where the Mohawks of Akwesasne have free passage on the bridge, leaving less than 40% of the travelling public to pay the entire cost of operating and maintaining the structures.

The cost of the "Friendship Pass" program (in lost revenues) was in excess of \$400,000 in 2003. INAC has provided some funding for this program (\$150,000 in total for years one and two, with an additional \$100,000 owing for 2003). Continued funding from INAC is not assured.

SIBC carried out a toll workshop with stakeholders. The goal of the workshop was to examine options for improving the effectiveness of the administration, collection and enforcement of tolls.

Search for financing for major projects

The greatest challenge faced by the FBCL concerns financing for major rehabilitation and construction projects.

In the case of the international bridges, the FBCL and its subsidiaries have no capital reserves in most cases and very little cash. Toll revenue is the only source of funding to cover operating and maintenance costs.

Finally, in addition to encouraging all international crossings to maintain currency exchange parity with their American counterparts, the SIBC will increase tolls every three years. The increases will reflect the increase in the inflation rate, so as to maintain its competitive advantage.

With respect to the structures in the Montréal area, the FBCL and its subsidiary JCCBI will continue to search for innovative solutions to finance major repair work. In fact, the limited nature of public funds and the lack of toll revenue make recourse to alternative methods of financing essential. The success of the sale of advertising space clearly demonstrates the significant financial advantages of innovative solutions.

Review of the bi-national agreements

Seaway International Bridge

The bi-national agreement between the Corporation's predecessor and the Saint Lawrence Seaway Development Corporation does not specifically address the matter of the responsibility of the owners when a deficit occurs. The Saint Lawrence Seaway Development Corporation maintains that it is not responsible for any deficits.

In 2003, FBCL met with the Saint Lawrence Seaway Development Corporation to review the bi-national agreement. This item was examined in depth during the SIBC's strategic planning exercise with the SIBC Board of Directors. Work is ongoing.

St. Mary's River Bridge Company

The Intergovernmental agreement between the State of Michigan and the Saint Mary's River Bridge Company places management, administration and operation of the bridge in the hands of the International Bridge Administration, an administrative unit of the Michigan Department of Transportation.

A number of issues have arisen over the past two years. They constitute a serious concern to the Saint Mary's River Bridge Company and resulted in its Board adopting a resolution directing its appointees to the Joint International Bridge Authority to renegotiate more acceptable terms or exercise the one year termination clause contained in the agreement.

A major concern with the Agreement is the requirement for parity payments to be made to MDOT for any expenditure made on Canada Customs or Immigration facilities.

This requirement does not exist at any other International Bridge in Canada. Also the agreement does not identify the responsibility of the owners for any defects that may arise and there were concerns over the powers of the Joint International Bridge Authority vis-à-vis the Michigan Department of Transportation (MDOT).

Transport Canada jointly with FBCL undertook a detailed review of the Intergovernmental Agreement and identified options for dealing with areas of concern. Discussions are currently underway between T.C., FBCL and MDOT on possible revisions to the Agreement.

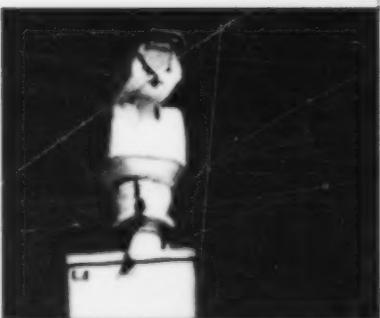
FBCL and Transport Canada have initiated discussions on a Canada Customs requirement for major improvements to the facilities in approximately five years.



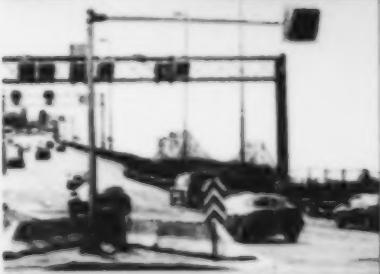
Concrete inspection at the Seaway International Bridge

OUR CHALLENGES

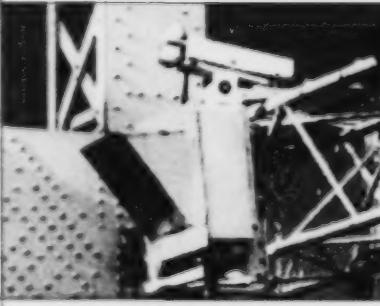
Our challenges with respect to preserving the environment



The Corporation has undertaken roughly \$27 million of painting works over the past five years (1999-2003) on the Jacques Cartier, Champlain and Honoré Mercier Bridges. Of the total cost of these painting works, it is estimated that approximately 50% of the above cost (\$13.5 million) is attributed to measures taken to adequately protect the environment (including full containment systems, collecting and treatment of debris generated during the paint removal process which includes lead based paints).



Closed-Circuit Television Surveillance System cameras and lane signalling on the Jacques Cartier Bridge.



It is estimated that each 100m² of newly painted surface produces approximately 3.4 metric tons of waste material (mixture of sand and lead based paints) which must be dealt with in an environmental friendly manner. For the painting work undertaken on the Jacques Cartier Bridge in 2003, the transport and disposal of the waste material only, represents costs of approximately \$130,000.

FBCL initiated a 15-month environmental assessment on the North Channel bridge replacement project in Cornwall. The environmental assessment will be completed in June 2004 and will serve as a model for future initiatives.

All subsidiary corporations prepared inventories of properties under their management and rated the environmental condition of the properties using the Treasury Board of Canada's classification system. The next step is for the Corporation to set objectives in regards to its management of these properties.

Our challenges with respect to promoting our expertise

Over the coming year, the FBCL will pursue four objectives with respect to promoting its expertise.

THE FIRST OBJECTIVE is to ensure significant progress in negotiations with the National Capital Commission (NCC), and Public Works and Government Services Canada (PWGSC) concerning the repatriation of the management of the Ottawa River bridges. In collaboration with NCC and PWGSC, the FBCL commissioned management and engineering due diligence studies to identify the capital and operating requirements for the five bridges over the Ottawa River in the National Capital Region. These studies addressed the ownership, financial management, and operations of the bridges and examined scenarios that could see ownership and financial management vested with the NCC and operations consolidated under the FBCL. The consultant has indicated that the overall annual savings to the government could be more than \$200,000. Negotiations between the NCC, the FBCL and PWGSC are ongoing.

PWGSC has indicated an interest in transferring ownership of other bridges to FBCL.

Discussions will continue concerning the possible transfer of two bridges located up the Ottawa River (Des Allumettes and Des Joachims) on which a Due Diligence study has been completed.

THE SECOND OBJECTIVE consists in playing a key role in maintaining its support to federal government initiatives and activities and participate on a joint federal-Québec steering committee in relation with the completion of Autoroute 30 on the South Shore of Montreal, as a key priority in 2004-2005.

The completion of Autoroute 30 is currently projected as a Public/Private partnership. FBCL's participation has been requested namely for its expertise in operation and maintenance of bridges and for its experience with design-build project delivery and for performing groundwork towards the development and promotion of the project.

THE THIRD OBJECTIVE involves continuing to develop opportunities for partnerships with Transport Canada and the Ontario Transportation Ministry for projects that will facilitate the transportation of merchandise between Canada and the United States.

THE FOURTH OBJECTIVE involves continuing efforts to reduce costs and improve performance so as to reinforce our position as an essential and value added partner. Thus, working with its subsidiary corporations, the FBCL will continue to strive to become an industry leader in terms of standards and benchmarks for management, operation and maintenance of structures under its authority.

FBCL and its subsidiaries have identified and are implementing a set of performance indicators to better evaluate success in meeting various objectives. These include operations and maintenance factors, human resources, traffic measurement and client relations.

Taking the mission and vision of the Corporation into account, the initiative seeks to establish and fine-tune guidelines for ongoing operation, maintenance and construction activities, to improve annual budgeting and long-term capital planning, and to establish benchmarks to provide an indication of cost efficiency and best practices. Implementation of performance indicators began in 2003.



Closed-Circuit Television Surveillance System and lane signalling control room for the Jacques Cartier and Champlain bridges

BRIDGES AND TRANSPORTATION INFRASTRUCTURES

Under contract of the TCI, 2003-04 subsidies



Traffic on Honoré Mercier Bridge.

The Jacques Cartier Bridge

Opened to traffic on May 14, 1930 and officially inaugurated on May 24, 1930, the Harbour Bridge was later renamed the Jacques Cartier Bridge in 1934 in tribute to the famous explorer who discovered Canada in 1534.

This steel bridge features a reinforced-concrete deck and spans the width of five traffic lanes. It stretches almost 3 kilometres in length and runs between Longueuil and Montréal. A lane signalling system makes it possible to reverse the direction of the traffic in the centre lane to better accommodate motorists during the morning or evening rush hours.

The main cantilever-type span towers approximately 66 metres above the St. Lawrence River to allow ships to pass underneath and from the Port of Montréal. The section crossing the Seaway is close to 49 metres over the canal. Annual traffic on the Jacques Cartier Bridge is currently estimated at 39.5 million vehicles.

The Champlain Bridge and the Bonaventure Autoroute

Opened on June 28, 1962, the Champlain Bridge is named after the explorer Samuel de Champlain who founded Québec City in 1608. The Bonaventure Autoroute was opened on April 21, 1967 and constitutes one of the bridge's northern approaches.

The bridge links the boroughs of Brossard and Verdun and is about 3 kilometres long. It has six traffic lanes separated by a median barrier. The main span – also of cantilever type – is built of steel. It supports a steel orthotropic slab deck paved over with asphaltic concrete. There are approximately 49 metres of clearance between the bridge and the Seaway canal. The remaining portions of the bridge are constructed of prestressed concrete beams that form a prestressed concrete deck paved over with asphaltic concrete.

It is estimated that 47.4 million vehicles cross the Champlain Bridge every year, to which must be added 8 million public transit users.

The Champlain Bridge Ice Control Structure (Estacade)

The Champlain Bridge Ice Control Structure was built in 1965 to control ice flows. This structure runs parallel to, and about 305 metres upstream from the Champlain Bridge. It is about 2,043 metres in length and runs west to east, from Nuns' Island to the northern embankment of the St. Lawrence Seaway. This infrastructure is currently used as a bicycle path.

The Honoré Mercier Bridge

This bridge, inaugurated on July 11, 1934, was named in honour of Honoré Mercier, Premier of Québec from 1887 to 1891. The bridge connects Ville LaSalle, on the island of Montreal, to the Mohawk reserve of Kahnawake, on the South Shore.

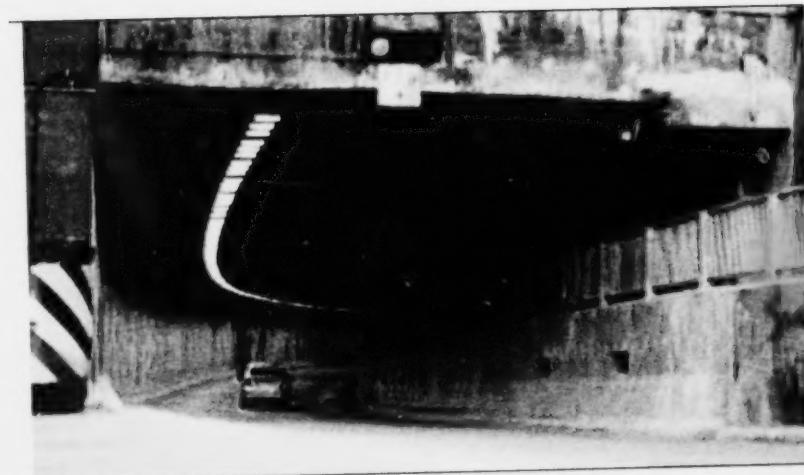
At first, the operation, maintenance and administration of the bridge fell entirely under Québec provincial jurisdiction. Between 1958 and 1959, however, during the construction of the St. Lawrence Seaway, the Seaway's administration supervised the work undertaken to raise the southern part of the bridge, in order that ship traffic might access the Seaway. The raised portion of the bridge thus fell under federal jurisdiction. In 1963, a twin bridge was built riverside in order to meet the ever-increasing demands of traffic.

The section of the bridge for which the Corporation is responsible is approximately 14 kilometres long. Its truss spans support a classic asphalt-paved concrete deck. It is estimated that 28 million vehicles use the Honoré Mercier Bridge each year.

The Melocheville Tunnel

The Melocheville Tunnel was built in 1956 as part of the construction of the Saint Lawrence Seaway.

The tunnel passes directly under the Beauharnois Canal locks at Melocheville. It measures approximately 230 metres in length and provides access to one lane of traffic in either direction. About 4.3 million vehicles pass through the Melocheville Tunnel annually.



Melocheville Tunnel.

BRIDGES AND TRANSPORTATION INFRASTRUCTURES

THE FEDERAL BRIDGE CORPORATION AND ITS SUBSIDIARIES

The Thousand Islands International Bridge

Opened in 1938 by Prime Minister MacKenzie King and President Franklin Roosevelt, the Thousand Islands International Bridge stretches 13.7 kilometres across the St. Lawrence River between Ivy Lea in Ontario and Collins Landing in upper New York State. It was built in sixteen months, an impressive accomplishment by any standard! It is operated and maintained jointly by Canada and the United States under an agreement between The Federal Bridge Corporation Limited and The Thousand Islands Bridge Authority in the United States. Approximately 2.0 million vehicles cross the bridge every year.

The Sault Ste. Marie International Bridge

Opened in 1962, the Sault Ste. Marie International Bridge spans the St. Mary's River linking the twin cities of Sault Ste. Marie, Ontario, and Sault Ste. Marie, Michigan. It is the only fixed link crossing between the two countries within 1,000 kilometres, and it is an important trade route between key American and Canadian markets via Interstate 75 and the Trans Canada Highway. Approximately 18 million vehicles use it each year.

The Seaway International Bridge

Spanning the St. Lawrence Seaway from Cornwall, Ontario to the Mohawk Territory of Akwesasne and on to Rooseveltown, New York, the Seaway International Bridge is a high level structure that opened to traffic in 1962. It was built under the terms of an international agreement between Canada and the United States signed in 1957, and is operated as a joint venture by our subsidiary, The Seaway International Bridge Corporation, Ltd. under an agreement between The Federal Bridge Corporation Limited and The Saint Lawrence Seaway Development Corporation. Over 2.5 million vehicles cross the bridge each year.

Left: Thousand Islands International Bridge.

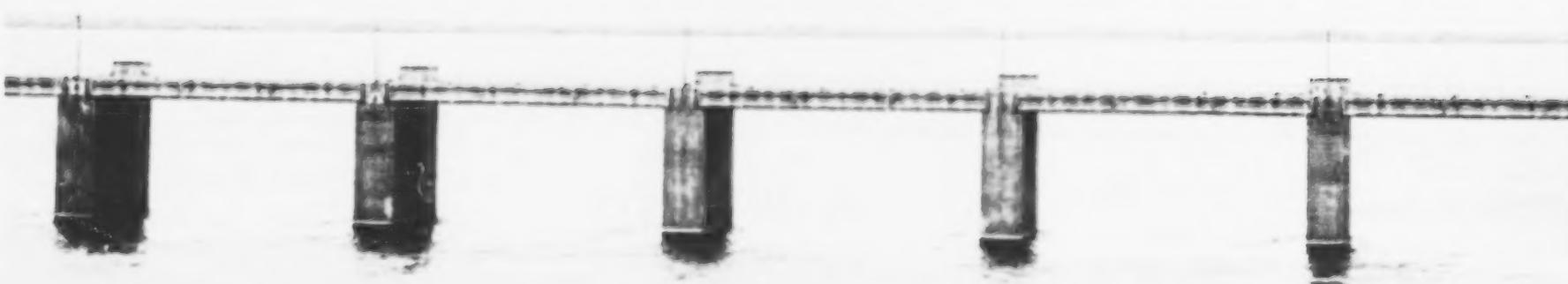
Middle: Sault Ste. Marie International Bridge.

Right: Seaway International Bridge.



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MICHEL FOURNIER

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and Chief Executive Officer

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Thye Lee
Director, Engineering and construction



SHEILA TREMBLAY



CAROLE WORKMAN



YVON BOURGET

**COMMITTEES OF THE FBCL
BOARD OF DIRECTORS**

Audit Committee	Corporate Governance Committee	Environment Committee	Risk Management Committee
Carole Workman <i>Chairman</i>	Sheila Tremblay <i>President, SIBC</i> <i>Board Member, FBCL & TIBA (Chair)</i>	Glen P. Carlin <i>Chairman</i>	Yvon Bourget <i>President</i>
Sheila Tremblay <i>Member</i>	Yvon Bourget, <i>Board Member, FBCL & JCCBI</i>	Hendrik H. Saaltink <i>Member</i>	Norman B. Willans <i>Member</i>
Yvon Bourget <i>Member</i>	Sophie Joncas <i>Board Member, JCCBI</i>	Ian McPherson <i>Member</i>	Gerard Lalonde <i>Member</i>
	John M. Kroon <i>Board Member, SIBC & TIBA</i>	Sylvie Lefebvre <i>Member</i>	Robert J. Reid <i>Consultant</i>
	Gerald H. Johnston <i>Board Member, SIBC & JIBA</i>	Raymond Denault <i>Member</i>	
	Norman B. Willans <i>Secretary and Legal Counsel, FBCL</i> <i>Board Member, JCCBI</i>	Gerard Lalonde <i>Member</i>	
		Thye Lee <i>Member</i>	
		Bill Moulton <i>Member</i>	
		Norman B. Willans <i>Member</i>	

**BOARD OF DIRECTORS
AND OFFICERS**

Pursuant to the *Financial Administration Act*, the Board of Directors is responsible for the management of the business, activities and other affairs of the Corporation.



THE JACQUES CARTIER
AND CHAMPLAIN BRIDGES
INCORPORATED

Board of Directors

Michel Fournier
President and Chief Executive Officer

Yvon Bourget
Director

Sophie Joncas
Director

Clément Côté
Director

René Therrien
Director

Norman B. Willans
Director

Officers and Senior Managers

Michel Fournier
President

Glen P. Carlin
General Manager

Sylvie Lefebvre
Counsel and Corporate Secretary

Daniel Dupuis
*Director,
Finance and Administration*

Guy Mailhot
*Director,
Engineering*

Denis Dauphinais
*Director,
Construction and Project Management*

Raymond Denault
*Director,
Operations and Maintenance*

Management Committee

René Therrien

Chairperson

Sophie Joncas

Member

Clément Côté

Member

Risk Management Committee

Glen P. Carlin

Chairperson

Sylvie Lefebvre

Member

Guy Mailhot

Member

Raymond Denault

Member

Audit Committee

Sophie Joncas

Chairperson

René Therrien

Member

Clément Côté

Member

FINANCIAL SUMMARY

in dollars

• OPERATING RESULTS

Revenues

Leases and licenses
Interest
Other

2004

2003

729,064
180,433
73,294

704,173
179,990
106,600

Expenses

Maintenance
Operation
Administration
Amortization

24,514,790
3,452,367
3,688,503
4,430,628

15,220,354
3,385,349
3,330,536
2,615,644

Net loss before government funding

35,103,497

23,561,120

Parliamentary appropriation for operating expenditures

30,621,581

23,345,410

Amortization of deferred capital funding

3,382,006

971,746

Net income (loss)

(1,099,910)

756,036

• BALANCE SHEET

Current assets

10,513,038

13,886,969

Current liabilities

4,525,556

7,899,487

Capital assets

133,535,740

135,889,704

Holdback

2,795,966

2,795,966

Employee future benefits

651,516

600,228

Deferred capital funding

125,444,016

126,749,358

Shareholder's equity

10,631,724

11,731,634

• FINANCIAL POSITION

Operating activities

(1,063,408)

3,181,732

Investment activities

(2,076,664)

(55,574,615)

Financing activities

2,076,664

52,074,615

Increase (decrease) of cash and cash equivalents

(1,063,408)

(318,268)



THE SEAWAY
INTERNATIONAL BRIDGE
CORPORATION, LTD

Board of Directors

Sheila Tremblay
President

Albert S. Jacquez
Vice-President

Guy Berthiaume
Director

Sal Pisani
Director

Roger J. Forgues
Director

Edward Margosian
Director

John M. Kroon
Director

Gerald H. Johnston
Director

Officers and Senior Managers

Gérard Lalonde
Treasurer

Edward Margosian
Assistant Treasurer

Roger J. Forgues
Assistant Treasurer

Norman B. Willans
General Counsel and Corporate Secretary

Marc C. Owen
Deputy General Counsel

Hendrik H. Saaltink
General Manager

Management Committee

FINANCIAL SUMMARY

	<i>in dollars</i>	2004	2003
• OPERATING RESULTS			
Sheila Tremblay <i>Chairperson</i>			
Sal Pisani <i>Member</i>	Revenues	3,748,312	3,767,639
John M. Kroon <i>Member</i>	Tolls	138,728	71,779
	Rentals	68,839	43,068
	Investments	113,271	68,799
	Others		
Risk Management Committee	Expenses		
Hendrik H. Saaltink <i>Chairperson</i>	Maintenance	1,412,096	1,373,567
	Tolls collection	783,977	727,716
	Administration	861,322	646,484
	Amortization	314,306	402,994
Charles Crispim <i>Member</i>	Net income	697,449	751,115
• BALANCE SHEET			
Ian McPherson <i>Member</i>	Current assets	2,904,363	2,459,864
Audit Committee	Current liabilities	1,027,231	564,915
John M. Kroon <i>Chairperson</i>	Capital assets	565,039	500,867
	Deferred major repairs	223,105	433,874
	Provision for employees future benefits	278,198	260,322
	Capital stock and debentures payable	16,000	16,000
	Due to venturers	2,371,078	2,553,368
• FINANCIAL POSITION			
Edward Margosian <i>Member</i>	Operating activities	964,236	1,278,018
Roger J. Forgues <i>Member</i>	Investing activities	(237,352)	(116,938)
	Financing activities	(560,927)	16,442
	Increase (decrease) of cash and cash equivalents	165,957	1,177,522

THE ST. MARY'S RIVER
BRIDGE COMPANY

FINANCIAL SUMMARY

in dollars

Directors and Officers

James McIntyre
*President*Alexander Harry
*Vice-President*Robert Collins
*Director*Gerald H. Johnston
*Director*Allan Jackson
*Director*Don Macgregor
*Director*Mary Trbovich
*Director*Helen Gillespie
*Director*Lorie Bottos
Secretary-Treasurer

OPERATING RESULTS

Revenues

Tolls	3,294,875	3,446,188
Leases and licences	305,055	351,378
Investments	35,528	28,802
Others	77,656	—

Expenses

Maintenance	1,357,258	1,038,702
Tolls collection	803,319	881,988
Administration	753,900	616,752
Amortization	220,042	246,211

Net income

578,595

1,042,715

BALANCE SHEET

Current assets

2,522,206

2,636,793

Current liabilities

691,977

879,866

Capital assets

8,120,423

7,573,035

Capital stock

1,500

1,500

Retained earnings

9,907,057

9,328,462

FINANCIAL POSITION

Operating activities

798,637

1,288,926

Investing activities

(709,185)

(3,302,263)

Increase (decrease) of cash and cash equivalents

(15,719)

2,091,887

FIVE YEAR CONSOLIDATED FINANCIAL SUMMARY

Unaudited - for period ending on March 31

thousands of dollars	2004	2003	2002	2001	2000
Revenues					
Thousand Islands Bridge operating revenue	2,269	2,014	1,854	2,276	2,252
Leases and permits	4,851	5,070	4,966	3,656	2,110
Tolls	5,169	5,543	4,491	3,251	1,549
Interest	639	541	691	994	653
Other	146	51	89	122	195
	13,074	13,219	12,091	10,299	6,759
Expenses					
Maintenance	26,904	17,148	26,237	25,978	21,530
Operation	5,872	4,640	4,614	3,175	3,566
Administration	7,690	7,894	7,347	6,095	4,564
Amortization	5,843	4,122	3,658	3,249	2,740
	46,309	33,804	41,856	38,497	32,400
Loss before government funding	(33,235)	(20,585)	(29,765)	(28,198)	(25,641)
Parliamentary appropriation for operating expenses	30,622	23,345	26,726	27,966	25,168
Amortization of deferred capital funding	3,382	972	214	141	88
Non-controlling interest	(50)	(97)	(79)	(69)	—
Net income (loss)	719	3,635	(2,904)	(160)	(385)

F

THE EVOLUTION OF GOVERNANCE PRACTICES AT FBCL AND SUBSIDIARIES

FBCL and its subsidiaries are committed to establishing effective governance practices consistent with both the spirit and direction provided by Department of Finance and Treasury Board guidelines¹¹.

To that end, in April 2003 the Board appointed a Corporate Governance Committee, comprised of Directors from the parent corporation and both subsidiary corporations, the Jacques Cartier and Champlain Bridges Incorporated (JCCBI) and the Seaway International Bridge Corporation Ltd (SIBC). The Committee's mandate is to be responsible for assessing all aspects of the Corporation's corporate governance practices and to report to the Board on Corporate Governance issues at least once a year. The Committee has adopted terms of reference that are directly related to the Treasury Board guidelines.

Among many initiatives, the following have been undertaken at FBCL, JCCBI and SIBC:

- FBCL Governance Committee members take an active role in ensuring Board stewardship of strategic planning efforts. Specifically, Committee members participate, along with Board members, in an annual strategic planning session to ensure that the Corporation's future direction and strategic and corporate objectives are clear. As well, consistent with good governance practices, and in conjunction with the President, Board members establish and document annual objectives for the President.

- The FBCL Governance Committee has provided direction to the governance committees at both subsidiaries to ensure that, for all three corporations, a rigorous process has been undertaken to identify the principal risks to each corporation and to ensure that systems are in place, or are planned, to manage these risks.

- The FBCL Governance Committee has taken steps to ensure that the Corporation's public policy objectives are documented and reviewed on a regular basis. Examples of public policy initiatives include the involvement of the JCCBI, in addition to its on-going responsibilities for the operation of its structures in the Greater Montreal area, in two initiatives related to the efficient flow of traffic more broadly. These studies are related to the extension of Autoroute 30 and the potential for the development of light rail transportation on the Champlain Bridge Estacade. Similarly, the SIBC is continuing to work with several external stakeholders in the development of an alternative to the ageing north span, including holding public information sessions on whether there should be a new low-level bridge or whether the present high level north span ought to be extensively repaired.

- Consistent with good governance practices, new Directors were recently added to the Boards at both FBCL and JCCBI. The appointments resulted from an assessment of the mix of skills and experience of existing Board members relative to the required complement of skills and experience necessary to ensure maximum Board effectiveness.

- And finally, several practical tools have been developed to assist Board and Governance Committee members. Included are a comprehensive Corporate Governance Handbook for use by Board members and Governance Committee members as well as providing for the orientation of new Directors, terms of reference adopted by the FBCL Governance Committee; predetermined meeting schedules and templates for regular reporting on Governance activities.

¹¹ These guidelines are found in the document entitled "Corporate Governance in Crown Corporations and Other Public Enterprises – Guidelines" dated June 1996.

C

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Consolidated Statement of Operations and Retained Earnings	49
Consolidated Statement of Contributed Capital	49
Consolidated Statement of Cash Flows	50
Notes to Consolidated Financial Statements	51

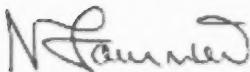
*M*ANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements contained in this annual report have been prepared by Management in accordance with Canadian generally accepted accounting principles, and the integrity and objectivity of the data in these consolidated financial statements are Management's responsibility. Management is also responsible for all other information in the annual report and for ensuring that this information is consistent, where appropriate, with the information and data contained in the consolidated financial statements.

In support of its responsibility, Management has developed and maintains books of account, records, financial and management controls, information systems and management practices. These are designed to provide reasonable assurance as to the reliability of financial information, that assets are safeguarded and controlled, and that transactions are in accordance with the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the *Canada Marine Act* and regulations as well as the articles and by-laws of the Corporation and its wholly-owned subsidiaries.

The Board of Directors is responsible for ensuring that Management fulfils its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee, which includes a majority of members who are not officers of the Corporation. The Committee meets with Management and the independent external auditor to review the manner in which these groups are performing their responsibilities and to discuss auditing, internal controls, and other relevant financial matters. The Audit Committee has reviewed the consolidated financial statements with the external auditor and has submitted its report to the Board of Directors. The Board of Directors has reviewed and approved the consolidated financial statements.

The Corporation's external auditor, the Auditor General of Canada, audits the consolidated financial statements and reports to the Minister responsible for the Corporation.



Michel Fournier
President and Chief Executive Officer

Ottawa, Canada
May 28, 2004



AUDITOR'S REPORT

To the Minister of Transport

I have audited the consolidated balance sheet of The Federal Bridge Corporation Limited as at March 31, 2004 and the consolidated statements of operations and retained earnings, contributed capital and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Corporation and its wholly-owned subsidiaries that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the *Canada Marine Act* and regulations, and the articles and by-laws of the Corporation and its wholly-owned subsidiaries.

Sylvain Ricard, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
May 28, 2004

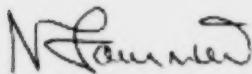
CONSOLIDATED BALANCE SHEET

(as of March 31)

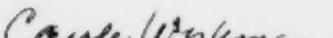
in dollars	2004	2003
ASSETS		
Current		
Cash and short-term investments (Note 3)	22,510,579	20,870,585
Accounts receivable	1,920,922	1,341,564
Advance to co-venturer (Note 4)	200,000	—
Accrued interest receivable	19,135	25,969
Prepaid expenses	459,508	562,665
Due from Canada	3,868,611	6,612,473
	28,978,755	29,413,256
Long-term		
Advance to co-venturer (Note 4)	—	321,995
Capital assets (Note 5)	162,318,934	164,857,187
	191,297,689	194,592,438

LIABILITIES		
Current		
Accounts payable	5,817,040	9,102,975
Deferred revenue	467,365	362,240
Obligation under capital lease (Note 6)	16,150	—
	6,300,555	9,465,215
Due to co-venturer (Note 4)	191,320	—
Obligation under capital lease (Note 6)	42,095	—
Holdback (Note 7)	2,795,966	2,795,966
Provision for employee future benefits	1,070,099	897,010
Deferred capital funding (Note 8)	125,444,016	126,749,358
Non-controlling interest	619,265	569,101
	130,162,761	131,011,435
	136,463,316	140,476,650

Approved by the Board of Directors:



President and Chief Executive Officer



Director

Commitments and contingencies (Notes 14 and 15)

SHAREHOLDER'S EQUITY		
Capital stock		
Authorized		
Unlimited number of shares, without par value		
Issued and fully paid		
1 share	1	1
Contributed capital	53,664,378	53,664,378
Retained earnings	1,169,994	451,409
	54,834,373	54,115,788
	191,297,689	194,592,438

The notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

Year ended March 31

in dollars	2004	2003
Revenues		
Tolls	5,169,031	5,543,137
Leases and permits	4,851,388	5,069,659
Thousand Islands Bridge operating revenue (Note 9)	2,268,533	2,014,257
Interest	639,170	540,912
Other	146,467	51,333
	13,074,589	13,219,298
Expenses		
Maintenance	26,904,429	17,147,826
Operation	5,871,865	4,640,829
Administration	7,689,852	7,894,369
Amortization	5,843,281	4,121,794
	46,309,427	33,804,818
Loss before government funding	(33,234,838)	(20,585,520)
Parliamentary appropriation for operating expenses	30,621,581	23,345,410
Amortization of deferred capital funding (Note 8)	3,382,006	971,746
Non-controlling interest	(50,164)	(96,930)
NET EARNINGS	718,585	3,634,706
Retained earnings (accumulated deficit), beginning of year	451,409	(3,183,297)
Retained earnings, end of year	1,169,994	451,409

The notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CONTRIBUTED CAPITAL

Year ended March 31

in dollars	2004	2003
Balance, beginning of year	53,664,378	53,443,116
Transfer of lands from Minister of Transport (Note 11)	—	221,262
Balance, end of year	53,664,378	53,664,378

The notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(as at March 31)

in dollars	2004	2003
+ CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	718,585	3,634,706
Non-cash items		
Amortization of capital assets	5,843,281	4,121,794
Loss (gain) on disposal of capital assets	(4,280)	190,659
Amortization of deferred capital funding	(3,382,006)	(971,746)
Increase (decrease) in provision for employee future benefits	173,089	(96,890)
Amortization of deferred revenue	—	(393,000)
Non-controlling interest	50,164	96,930
Changes in holdback	—	1,605,104
Changes in working capital items (Note 12)	(1,106,315)	(854,964)
Cash flows from operating activities	2,292,518	7,332,593
+ CASH FLOWS FROM INVESTMENT ACTIVITIES		
Decrease (increase) in advance to co-venturer	321,995	(4,949)
Acquisition of capital assets	(3,246,783)	(61,646,341)
Disposal of capital assets	4,280	22,991
Cash flows used in investment activities	(2,920,508)	(61,628,299)
+ CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in due to co-venturer	191,320	—
Increase in deferred capital funding	2,076,664	55,574,615
Cash flows from financing activities	2,267,984	55,574,615
+ NET INCREASE FOR THE YEAR	1,639,994	1,278,909
Cash and short-term investments, beginning of year	20,870,585	19,591,676
Cash and short-term investments, end of year	22,510,579	20,870,585

The notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

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1. AUTHORITY AND ACTIVITIES

The Federal Bridge Corporation Limited, incorporated on September 2, 1998 under the *Canada Business Corporations Act*, is a Crown corporation under Schedule III Part I of the *Financial Administration Act* and is not subject to the provisions of the *Income Tax Act*.

In accordance with a directive issued by the Minister of Transport under the *Canada Marine Act*, the St. Lawrence Seaway Authority transferred its assets on October 1, 1998. Specifically, the responsibility for The Jacques Cartier and Champlain Bridges Incorporated, for The Seaway International Bridge Corporation, Ltd, and for the operations of the Thousand Islands Bridge were transferred to The Federal Bridge Corporation Limited. The responsibility for the Melocheville Tunnel and the Mercier Bridge were transferred to the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated.

On October 17, 2000, the Federal Bridge Corporation Limited acquired 91.33% of the outstanding voting and participating shares of St. Mary's River Bridge Company from the province of Ontario for \$1,370.

The Corporation's primary activities involve the management and operation of bridges, installations and other assets. Moreover, the Corporation may acquire land and build structures or other assets and acquire shares or interests in any other bridge management corporation.

The subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, depends on the federal government for its funding. The Federal Bridge Corporation Limited and its subsidiary, St. Mary's River Bridge Company, and its joint venture, The Seaway International Bridge Corporation, Ltd, are self financed by using their own operating income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The consolidated financial statements include the accounts of The Federal Bridge Corporation Limited, its wholly-owned subsidiary, The Jacques Cartier and Champlain Bridges Incorporated, the 91.33% owned subsidiary, St. Mary's River Bridge Company, and its proportionate share (50%) of its interest in its joint venture, The Seaway International Bridge Corporation Ltd. The consolidated operations for the 2004 year include the results of all companies for the period from April 1, 2003 to March 31, 2004 (from April 1, 2002 to March 31, 2003 in 2003).

b) Parliamentary appropriations

The parliamentary appropriation, which the subsidiary The Jacques Cartier and Champlain Bridges Incorporated uses to offset the excess of its operating expenses over its operating revenues, is shown on the statement of operations and retained earnings. The amount of the parliamentary appropriation is based primarily on the operating cash flows requirements of the subsidiary.

The portion of the parliamentary appropriation used by the subsidiary to finance the acquisition of amortizable capital assets is accounted for as deferred capital funding on the balance sheet and amortized on the same basis as the related capital assets. Any portion used to finance the acquisition of non-amortizable capital assets is recorded as contributed capital.

Parliamentary appropriations that the subsidiary is entitled to but which are not received by year-end are shown as an amount due from Canada.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Year ended March 31)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

c) Capital assets and amortization

Capital assets are recorded at cost. Replacements and major improvements which extend the useful service lives of existing assets are capitalized. Repairs and maintenance are charged to operations as incurred.

Capital assets acquired from Government of Canada created departments, agencies and Crown corporations are accounted for at the transferor's carrying amount with the consideration shown in contributed capital.

Amortization is recorded using the straight-line method based on the estimated useful service lives of the assets and the following rates:

• Bridges	2%	–	5%
• Remedial works	5%	–	10%
• Deferred major repairs			10%
• Vehicles, equipment and equipment under capital lease	3%	–	33%
• Buildings	2%	–	20%

Amounts included in projects in progress are transferred to the appropriate capital asset classification upon completion and are then amortized according to the Corporation's policy.

d) Deferred revenue

Deferred revenue are comprised of leases, permits and the sale of toll tickets, for which services have not been rendered, are deferred and accounted for as services are provided.

e) Employee future benefits

Employees are entitled to specified benefits on termination as provided for under conditions of employment, through a severance benefit plan. The Corporation recognizes the cost of future severance benefits over the periods in which the employees render services to the entity and liability for these benefits is recorded in the accounts as the benefits accrue to employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

f) Pension plan

All employees of the subsidiary The Jacques Cartier and Champlain Bridges Incorporated and the joint venture, The Seaway International Bridge Corporation Ltd., participate in the Public Service Superannuation Plan administered by the Government of Canada. The Corporation's contribution to the plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the subsidiary and the joint venture and are charged to operations on a current basis. The subsidiary and the joint venture are not currently required to make contributions with respect to actuarial deficiencies of the Public Service Superannuation Account.

The Federal Bridge Corporation Limited employees are covered by a defined contribution private pension plan and the cost of this plan is shared by the employees and the Corporation.

Contributions in respect of current services are expensed when paid and represent the total pension obligation of the Corporation. The terms of payment of past service contributions are set by the application purchase conditions, generally over the number of years of services remaining prior to retirement.

g) Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Employee future benefits, accrued liabilities for major maintenance repairs and estimates pertaining to claims received from suppliers are the most significant items where estimates are used. Actual results could differ from those estimates.

3. CASH AND SHORT-TERM INVESTMENTS

The Corporation invests in the short-term money market. The short-term investments are mainly composed of Canadian Treasury bills, guaranteed debentures and term deposits. The overall portfolio yield as at March 31, 2004 was 2.00% (2003 - 2.97%). On average, the term to maturity is 52 days (2003 - 153 days). The fair value of the short-term deposits approximates the book value due to their impending maturity.

4. ADVANCE AND DUE TO CO-VENTURER

Those accounts represents the excess or the insufficiency of the contribution required by The Federal Bridge Corporation Limited in its joint venture for short term and long term.

The advance bears interest monthly at the average one-year Treasury bill rate and has no repayment terms. As at March 31, 2004, they carrying amount approximated they fair value.

*N*OTES TO CONSOLIDATED FINANCIAL STATEMENTS
THE CANADIAN MOVERS LTD.

5. CAPITAL ASSETS

in dollars	2004	2003		
	Cost	Accumulated amortization	Net	Net
Land	4,572,750	—	4,572,750	4,562,206
Bridges	276,708,723	125,570,715	151,138,008	152,729,458
Vehicles and equipment	7,324,475	4,116,162	3,208,313	3,755,744
Buildings	3,771,095	2,524,789	1,246,306	2,975,384
Deferred major repairs	1,109,142	997,589	111,553	188,402
Remedial works	—	—	—	19,221
Projects in progress	1,983,759	—	1,983,759	626,772
Equipment under capital lease	58,245	—	58,245	—
	295,528,189	133,209,255	162,318,934	164,857,187

The cost of the Bonaventure Autoroute, the initial cost of the Jacques Cartier Bridge and the initial cost of the Canadian portion of the Sault Ste. Marie Bridge are fully amortized.

6. OBLIGATION UNDER CAPITAL LEASE

in dollars	2004
Obligation under capital lease, 4.644%, payable in monthly instalments, maturing in 2009	58,245
Instalments due within one year	16,150
	42,095

Future minimum lease payments for the next five years under a capital lease and balance of the obligation under this capital lease:

in dollars	
2005	16,150
2006	12,850
2007	12,850
2008	12,850
2009	9,600
	64,300
Interest included in minimum lease payments	6,055
Principal portion of capital lease payments	58,245

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

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7. HOLDBACK

The Corporation temporarily retains an amount on the total of the sums due to a contractor to guarantee the good execution of work. The guarantee period is five years expiring in October 2007. The contractor is entitled to simple interest of 2% and 2.73% on the amount retained, payable annually starting in December 2003. The Corporation will pay the holdback (from which will be deducted any amount the contractor might owe to the Corporation pursuant to the contractual guarantee provisions) after the expiry of the guarantee period.

8. DEFERRED CAPITAL FUNDING

<i>in dollars</i>	2004	2003
Balance, beginning of year	126,749,358	72,146,489
Parliamentary appropriation to finance the acquisition of amortizable capital assets	2,076,664	55,574,615
Amortization	(3,382,006)	(971,746)
Balance, end of year	125,444,016	126,749,358

9. THOUSAND ISLANDS BRIDGE OPERATING REVENUE

This represents the Corporation's share of the net income from operations of the Canadian portion of the Thousand Islands Bridge in accordance with a management agreement between The Federal Bridge Corporation Limited and the Thousand Islands Bridge Authority.

10. PENSION PLAN

The pension expense for all plans for the year is \$392,406 (2003 - \$357,484).

11. TRANSFER OF LANDS FROM MINISTER OF TRANSPORT

Four parcels of land located on the Kahnawake Reserve and three parcels of land located in the town of Melocheville were transferred gratuitously from the Minister of Transport to the subsidiary, The Jacques Cartier and Champlain Bridges Incorporated on June 27, 2002. These lands were recorded at their book value of \$221,262, with consideration credited to contributed capital.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31

12. INFORMATION INCLUDED IN THE STATEMENT OF CASH FLOWS

The changes in working capital items are detailed as follows:

<i>in dollars</i>	2004	2003
Accounts receivable	(579,358)	616,277
Advance to co-venturer	(200,000)	—
Accrued interest receivable	6,834	(16,8540)
Prepaid expenses	103,157	(32,242)
Due from Canada	2,743,862	7,122,943
Accounts payable	(3,285,935)	(8,538,924)
Deferred revenue	105,125	(6,178)
	<u>(1,106,315)</u>	<u>(854,964)</u>

13. RELATED PARTY TRANSACTIONS

In addition to those related party transactions disclosed elsewhere in these financial statements, the Corporation is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

14. COMMITMENTS

a) Operations

The minimum amount which will be paid in future years under an agreement for police services ending on June 30, 2005, is \$3.1 million on an annual basis. This agreement is renewable at term unless notice to the contrary from one party.

b) Suppliers

The Corporation has commitments principally for maintenance contracts, supply contracts, professional services and rental agreements for an amount of \$29,832,259 until 2007. Minimum payments over the next years are as follows:

<i>in dollars</i>	
2005	23,955,714
2006	5,658,173
2007	218,372

15. CONTINGENCIES

a) In the normal course of its activities, the Corporation is the claimant or defendant or is involved in certain pending claims or lawsuits. It is the opinion of management that these claims or lawsuits will not result in any material liabilities to the Corporation. No provision has been taken in this regard.

b) With regards to the environment, The Federal Bridge Corporation Limited has produced an inventory of its properties in order to determine their environmental condition. The properties considered to be contaminated will require additional investigations in the coming years. Certain of these properties may eventually require decontamination or mitigation measures.

The most pressing environmental issue facing the Corporation are with the subsidiary, The Jacques Cartier and Champlain Bridges Inc., and relates to the properties situated on a former landfill site hereafter described. In 2003, the subsidiary, in collaboration with Environment Canada, undertook an investigation and testing into the toxicity of the ground-water of properties adjacent to the St. Lawrence River. The properties, managed by the subsidiary since 1978, are situated on a portion of a former waste fill site operated by the City of Montreal from 1866 to 1966. This old landfill site covers several properties belonging to various owners. The subsidiary will undertake, in 2004, a feasibility study to identify mitigation measures that could be put in place. The costs of these measures cannot be presently estimated, nevertheless the question as to who assumes these costs will need to be determined between the different property owners. The subsidiary will request special funding from Treasury Board to cover its share of the costs of any mitigation measures.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash, short-term investments, accounts receivable, advance to co-venturer, accrued interest receivable, amount due from Canada and accounts payable approximates their fair value given their short-term maturity. There is no concentration of accounts receivable and accordingly, the credit risk is low.

17. COMPARATIVE FIGURES

Certain comparative figures of 2003 have been reclassified to conform with the presentation adopted in the current year.

*C*ORPORATE OFFICES

THE FEDERAL BRIDGE CORPORATION LIMITED

55, Metcalfe Street, Suite 1210
Ottawa, Ontario
K1P 6L5
tel: (613) 993-6880
fax: (613) 993-6945

www.federalbridge.ca
info@federalbridge.ca

THE THOUSAND ISLANDS BRIDGE AUTHORITY

PO Box 10
Lansdowne, Ontario
K0E 1L0
tel: (315) 482-2501
fax: (315) 482-5925

www.tibridge.com

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED

1111, Saint-Charles Street West
West Tower, Suite 600
Longueuil, Québec
J4K 5G7
tel: (450) 651-8771
fax: (450) 677-6912

www.jccb.ca

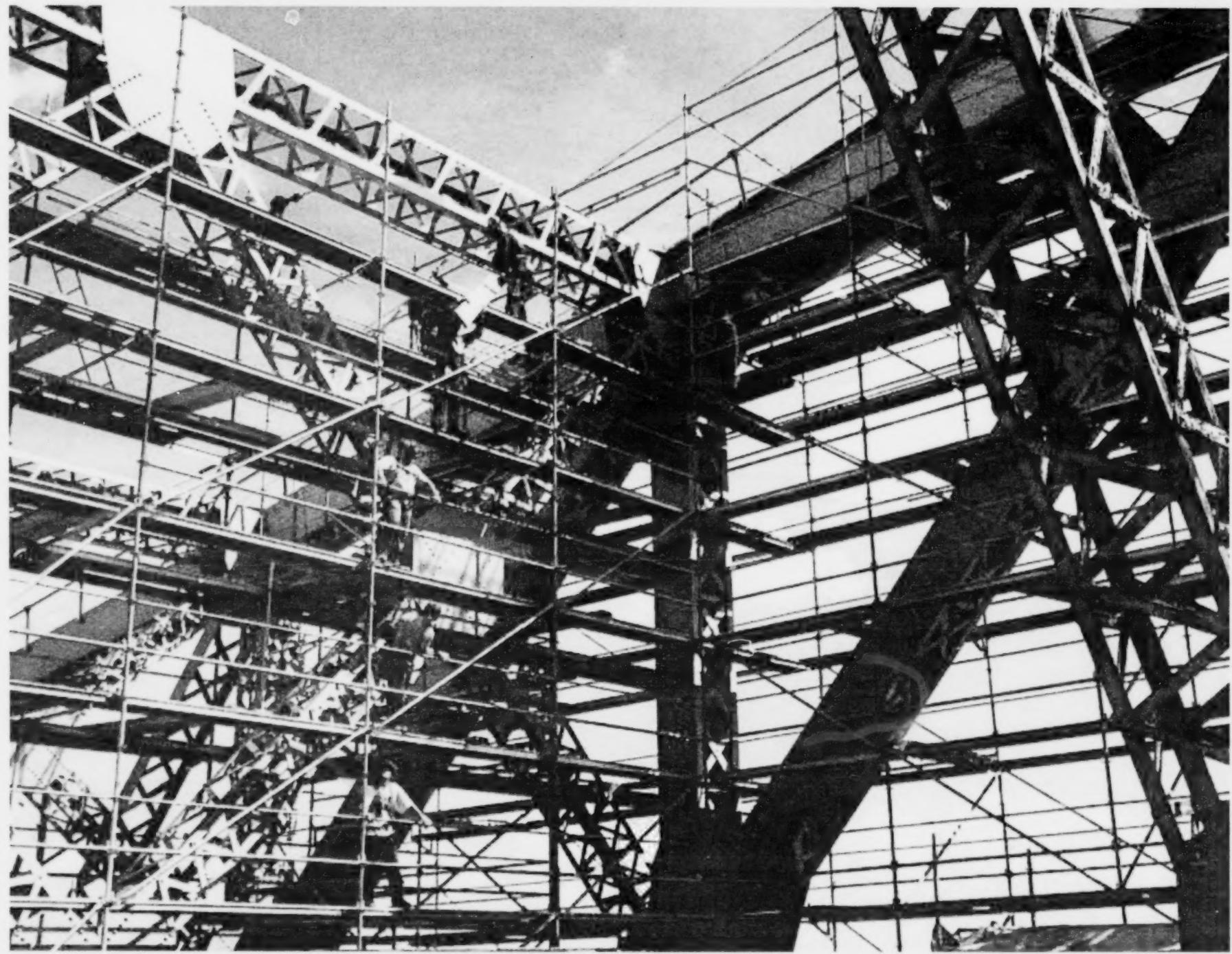
THE ST. MARY'S RIVER BRIDGE COMPANY

PO Box 580
Sault Ste. Marie, Ontario
P6A 5N1
tel: (705) 759-5400
fax: (705) 759-5405

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

PO Box 836
Cornwall, Ontario
K6H 5T7
tel: (613) 932-5113
fax: (613) 932-9086

www.sibc.ca
hsaaltink@sibc.ca



CRÉDITS

EDITING

Michael Francis

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Cécile Brabant-Dion

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Lorry Fortin

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